



# CONSOLIDATED FINANCIAL STATEMENTS

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# FY2021

For the year ended March 31, 2022

## **CORPORATE PHILOSOPHY**

Enhance our business in aiming for harmony between energy and the environment and contribute to the sustainable development of a society as an integrated engineering company through the use of our collective wisdom and painstakingly developed technology.

Every Chiyoda Group employee engages in our corporate activities with this philosophy in mind as we strive for corporate group management that earns the trust and empathy of all of our stakeholders, including shareholders, customers, business partners, employees, and local communities.

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# Consolidated Balance Sheet

March 31, 2022

| ASSETS   | Millions of Yen  |                  | Thousands of<br>U.S. Dollars<br>(Note 1) | LIABILITIES AND EQUITY  | Millions of Yen  |                  | Thousands of<br>U.S. Dollars<br>(Note 1) |
|--|------------------|------------------|--|---|------------------|------------------|--|
|  | 2022             | 2021             | 2022                                     |   | 2022             | 2021             | 2022                                     |
| <b>CURRENT ASSETS:</b>   |                  |                  |  | <b>CURRENT LIABILITIES:</b>   |                  |                  |  |
| Cash and cash equivalents (Note 21)  | ¥ 59,099         | ¥ 98,738         | \$ 484,423                               | Notes and accounts payable—trade (Note 21)  | ¥ 96,084         | ¥ 115,187        | \$ 787,577                               |
| Short-term investments (Note 21)   | 9,696            | 8,250            | 79,476                                   | Current portion of long-term debt (Notes 10, 12 and 21)   | 21,269           | 1,201            | 174,336                                  |
| Notes and accounts receivable—trade (Note 6)   | 29,973           | 30,480           | 245,682                                  | Accounts payable—other  | 44,022           | 4,200            | 360,839                                  |
| Costs and estimated earnings on long-term construction contracts (Note 6)                            |                  | 18,046           |  | Income taxes payable  | 978              | 638              | 8,020                                    |
| Contract assets (Notes 6 and 16)   | 10,465           |                  | 85,784                                   | Advance receipts on construction contracts  |                  | 74,784           |  |
| Costs of construction contracts in process   | 18,529           | 8,767            | 151,879                                  | Contract liability (Note 16)  | 143,431          |                  | 1,175,670                                |
| Accounts receivable—other (Notes 6 and 21)   | 83,246           | 77,261           | 682,350                                  | Deposits received (Note 15)   | 783              | 4,898            | 6,421                                    |
| Jointly controlled assets of joint venture (Note 21)   | 141,438          | 56,845           | 1,159,330                                | Allowance for warranty costs for completed works  | 3,348            | 823              | 27,448                                   |
| Prepaid expenses and other   | 21,731           | 8,906            | 178,128                                  | Allowance for losses on construction contracts (Notes 3 and 15)   | 34,815           | 34,443           | 285,376                                  |
| Allowance for doubtful accounts  | (1,498)          | (1,405)          | (12,284)                                 | Provision for business structure improvement  |                  | 17               |  |
|  |                  |                  |  | Accrued expenses and other  | 5,940            | 8,460            | 48,694                                   |
| <b>Total current assets</b>  | <b>372,682</b>   | <b>305,891</b>   | <b>3,054,771</b>                         | <b>Total current liabilities</b>  | <b>350,675</b>   | <b>244,657</b>   | <b>2,874,386</b>                         |
| <b>PROPERTY, PLANT AND EQUIPMENT:</b>  |                  |                  |  | <b>LONG-TERM LIABILITIES:</b>   |                  |                  |  |
| Land (Notes 10 and 12)   | 5,100            | 4,853            | 41,810                                   | Long-term debt (Notes 11 and 21)  | 25,631           | 45,612           | 210,094                                  |
| Buildings and structures (Notes 10 and 12)   | 13,548           | 14,105           | 111,056                                  | Deferred tax liabilities (Note 15)  | 533              |                  | 4,371                                    |
| Machinery and equipment  | 1,659            | 1,295            | 13,601                                   | Provision for treatment of PCB waste  | 239              | 239              | 1,959                                    |
| Tools, furniture and fixtures (Note 10)  | 6,286            | 5,948            | 51,531                                   | Liability for retirement benefits (Note 15)   | 773              | 761              | 6,342                                    |
| Construction in progress   | 11               | 106              | 96                                       | Asset retirement obligations (Note 15)  | 1,733            | 1,523            | 14,210                                   |
| <b>Total</b>   | <b>26,607</b>    | <b>26,308</b>    | <b>218,096</b>                           | Other   | 48               | 43               | 399                                      |
| Accumulated depreciation   | (15,569)         | (14,882)         | (127,617)                                | <b>Total long-term liabilities</b>  | <b>28,960</b>    | <b>48,178</b>    | <b>237,377</b>                           |
| <b>Net property, plant and equipment</b>   | <b>11,038</b>    | <b>11,426</b>    | <b>90,478</b>                            | <b>COMMITMENTS AND CONTINGENT LIABILITIES</b><br>(Notes 20 and 22)  |                  |                  |  |
| <b>INVESTMENTS AND OTHER ASSETS:</b>   |                  |                  |  | <b>EQUITY (Note 14):</b>  |                  |                  |  |
| Investment securities (Notes 7, 21 and 22)   | 1,479            | 1,720            | 12,125                                   | Common stock—authorized, 570,000 thousand shares;<br>issued, 260,324 thousand shares in 2022 and 2021 and<br>preferred stock—authorized, 175,000 thousand shares;<br>issued, 175,000 thousand shares in 2022 and 2021 | 15,014           | 15,014           | 123,072                                  |
| Investments in and advances to unconsolidated subsidiaries and associated companies (Notes 9 and 21) | 4,032            | 3,981            | 33,049                                   | Capital surplus   | 142              | 142              | 1,168                                    |
| Goodwill   | 251              | 285              | 2,063                                    | (Accumulated deficit) retained earnings   | (1,142)          | 15,708           | (9,366)                                  |
| Software   | 4,031            | 4,032            | 33,042                                   | Treasury stock—at cost, 1,357 thousand shares in<br>2022 and 2021   | (849)            | (1,435)          | (6,962)                                  |
| Asset for retirement benefits (Note 13)  | 633              | 566              | 5,189                                    | Accumulated other comprehensive income:   |                  |                  |  |
| Deferred tax assets (Note 15)  | 129              | 394              | 1,065                                    | Unrealized gain on available-for-sale securities  | 83               | 203              | 684                                      |
| Other assets   | 1,137            | 1,448            | 9,320                                    | Deferred gain on derivatives under hedge accounting   | 1,656            | 30               | 13,576                                   |
| Allowance for doubtful accounts  | (18)             | (164)            | (148)                                    | Foreign currency translation adjustments  | (6)              | 5,300            | (51)                                     |
|  |                  |                  |  | Defined retirement benefit plans  | 755              | 1,434            | 6,195                                    |
| <b>Total investments and other assets</b>  | <b>11,676</b>    | <b>12,266</b>    | <b>95,708</b>                            | <b>Total</b>  | <b>15,654</b>    | <b>36,399</b>    | <b>128,317</b>                           |
|  |                  |                  |  | Noncontrolling interests  | 106              | 348              | 875                                      |
|  |                  |                  |  | <b>Total equity</b>   | <b>15,761</b>    | <b>36,747</b>    | <b>129,193</b>                           |
| <b>TOTAL</b>   | <b>¥ 395,396</b> | <b>¥ 329,583</b> | <b>\$ 3,240,957</b>                      | <b>TOTAL</b>  | <b>¥ 395,396</b> | <b>¥ 329,583</b> | <b>\$ 3,240,957</b>                      |

See notes to consolidated financial statements.

# Consolidated Statement of Operations

Year Ended March 31, 2022

|   | Millions of Yen   |                | Thousands of<br>U.S. Dollars<br>(Note 1) |
|---|-------------------|----------------|--|
|   | 2022              | 2021           | 2022                                     |
| REVENUE   | ¥ 311,115         | ¥ 315,393      | \$ 2,550,127                             |
| COST OF REVENUE   | <u>288,321</u>    | <u>295,332</u> | <u>2,363,289</u>                         |
| Gross profit  | 22,794            | 20,061         | 186,838                                  |
| SELLING, GENERAL, AND ADMINISTRATIVE<br>EXPENSES (Note 17)                | <u>12,249</u>     | <u>13,046</u>  | <u>100,403</u>                           |
| Operating income  | <u>10,545</u>     | <u>7,015</u>   | <u>86,434</u>                            |
| OTHER INCOME (EXPENSES):  |                   |                |  |
| Interest and dividend income  | 687               | 1,372          | 5,635                                    |
| Equity in earnings of associated companies                                |                   | 33             |  |
| Gain on liquidation of subsidiaries and associated<br>companies (Note 18) | 588               |                | 4,825                                    |
| Gain on sales of investment securities                                    | 160               |                | 1,314                                    |
| Gain on sales of shares of subsidiaries and<br>associated companies       |                   | 413            |  |
| Interest expense  | (879)             | (889)          | (7,207)                                  |
| Equity in losses of associated companies                                  | (321)             |                | (2,634)                                  |
| Settlement payments   | (201)             |                | (1,649)                                  |
| Project related loss due to settlements with customers<br>(Note 19)       | (20,374)          |                | (167,000)                                |
| Foreign exchange gain   | 1,406             | 820            | 11,526                                   |
| Impairment loss (Note 8)  | (426)             |                | (3,495)                                  |
| Loss on retirement of fixed assets  | (306)             |                | (2,515)                                  |
| Loss on liquidation of subsidiaries and associated<br>companies           | (242)             |                | (1,985)                                  |
| Loss on valuation of investment securities (Note 7)                       | (89)              |                | (734)                                    |
| Other—net   | <u>194</u>        | <u>110</u>     | <u>1,597</u>                             |
| Other (expenses) income—net   | <u>(19,803)</u>   | <u>1,860</u>   | <u>(162,322)</u>                         |
| (LOSS) INCOME BEFORE INCOME TAXES   | <u>(9,258)</u>    | <u>8,876</u>   | <u>(75,887)</u>                          |
| INCOME TAXES (Note 15):   |                   |                |  |
| Current   | 3,509             | 848            | 28,769                                   |
| Deferred  | <u>59</u>         | <u>33</u>      | <u>490</u>                               |
| Total income taxes  | <u>3,569</u>      | <u>882</u>     | <u>29,260</u>                            |
| NET (LOSS) INCOME   | (12,828)          | 7,993          | (105,148)                                |
| NET LOSS ATTRIBUTABLE TO NONCONTROLLING<br>INTERESTS                      | <u>(198)</u>      | <u>—</u>       | <u>(1,624)</u>                           |
| NET (LOSS) INCOME ATTRIBUTABLE TO OWNERS<br>OF THE PARENT                 | <u>¥ (12,629)</u> | <u>¥ 7,993</u> | <u>\$ (103,523)</u>                      |

|  | Yen       |         | U.S. Dollars |
|--|-----------|---------|--------------|
|  | 2022      | 2021    | 2022         |
| PER SHARE OF COMMON STOCK (Notes 2.ab and 24): |           |         |              |
| Basic net (loss) income                        | ¥ (56.88) | ¥ 22.76 | \$ (0.47)    |
| Diluted net (loss) income                      | (12.68)   | 8.20    | (0.10)       |
| Cash dividends applicable to the year          |           | 20.78   |              |

See notes to consolidated financial statements.

# Consolidated Statement of Comprehensive Income

Year Ended March 31, 2022

|  | Millions of Yen |          | Thousands of<br>U.S. Dollars<br>(Note 1) |
|--|-----------------|----------|--|
|  | 2022            | 2021     | 2022                                     |
| NET (LOSS) INCOME  | ¥ (12,828)      | ¥ 7,993  | \$ (105,148)                             |
| OTHER COMPREHENSIVE INCOME (LOSS) (Note 23):             |                 |          |  |
| Unrealized (loss) gain on available-for-sale securities  | (119)           | 144      | (982)                                    |
| Deferred gain on derivatives under hedge accounting      | 1,625           | 24       | 13,323                                   |
| Foreign currency translation adjustments                 | (5,350)         | 2,324    | (43,860)                                 |
| Defined retirement benefit plans                         | (678)           | 1,420    | (5,561)                                  |
| Share of other comprehensive income (loss) of associates | 79              | (60)     | 652                                      |
| Total other comprehensive (loss) income                  | (4,444)         | 3,854    | (36,429)                                 |
| COMPREHENSIVE (LOSS) INCOME                              | ¥ (17,272)      | ¥ 11,847 | \$ (141,577)                             |
| TOTAL COMPREHENSIVE (LOSS) INCOME                        |                 |          |  |
| ATTRIBUTABLE TO:   |                 |          |  |
| Owners of the parent                                     | ¥ (17,109)      | ¥ 11,849 | \$ (140,241)                             |
| Noncontrolling interests                                 | (163)           | (1)      | (1,336)                                  |

See notes to consolidated financial statements.

# Consolidated Statement of Changes in Equity

Year Ended March 31, 2022

|   | Thousands                                    |   |                                  |                 |   |                | Millions of Yen   |   |  |                                  |                |                          |                |
|---|--|---|----------------------------------|-----------------|---|----------------|---|---|--|----------------------------------|----------------|--------------------------|----------------|
|   | Outstanding Number of Shares of Common Stock | Outstanding Number of Shares of Preferred Stock | Common Stock and Preferred Stock | Capital Surplus | Retained Earnings (Accumulated Deficit) | Treasury Stock | Accumulated Other Comprehensive Income (Loss)           |   |  |                                  |                | Noncontrolling Interests | Total Equity   |
|   |  |   |                                  |                 |   |                | Unrealized Gain (Loss) on Available-for-Sale Securities | Deferred Gain on Derivatives under Hedge Accounting | Foreign Currency Translation Adjustments | Defined Retirement Benefit Plans | Total          |                          |                |
| BALANCE, APRIL 1, 2020  | 258,967                                      | 175,000   | ¥78,396                          | ¥ 72,128        | ¥ (127,778)                             | ¥ (1,435)      | ¥ 58  | ¥ 6   | ¥3,033                                   | ¥ 13                             | ¥24,423        | ¥519                     | ¥24,943        |
| Net income attributable to owners of the parent               |  |   |                                  |                 | 7,993                                   |                |   |   |  |                                  | 7,993          |                          | 7,993          |
| Capital reduction   |  |   | (63,381)                         | 63,381          |   |                |   |   |  |                                  |                |                          |                |
| Deficit disposition   |  |   |                                  | (135,494)       | 135,494                                 |                |   |   |  |                                  |                |                          |                |
| Purchase of treasury stock                                    |  |   |                                  |                 |   |                |   |   |  |                                  |                |                          |                |
| Purchase of shares of consolidated subsidiaries               |  |   |                                  | 126             |   |                |   |   |  |                                  | 126            |                          | 126            |
| Net change in the year  |  |   |                                  |                 |   |                | 144   | 24  | 2,266                                    | 1,420                            | 3,856          | (171)                    | 3,684          |
| BALANCE, MARCH 31, 2021                                       | 258,967                                      | 175,000   | 15,014                           | 142             | 15,708                                  | (1,435)        | 203   | 30  | 5,300                                    | 1,434                            | 36,399         | 348                      | 36,747         |
| Cumulative effects of changes in accounting policies (Note 4) |  |   |                                  |                 | 1                                       |                |   |   |  |                                  | 1              |                          | 1              |
| Net loss attributable to owners of the parent                 |  |   |                                  |                 | (12,629)                                |                |   |   |  |                                  | (12,629)       |                          | (12,629)       |
| Cash dividends, ¥20.78 per share                              |  |   |                                  |                 | (3,636)                                 |                |   |   |  |                                  | (3,636)        |                          | (3,636)        |
| Purchase of treasury stock                                    |  |   |                                  |                 |   | (375)          |   |   |  |                                  | (375)          |                          | (375)          |
| Disposal of treasury stock                                    |  |   |                                  | (585)           |   | 961            |   |   |  |                                  | 375            |                          | 375            |
| Transfer of loss on disposal of treasury stock                |  |   |                                  | 585             | (585)                                   |                |   |   |  |                                  |                |                          |                |
| Net change in the year  |  |   |                                  |                 |   |                | (119)   | 1,625   | (5,306)                                  | (678)                            | (4,479)        | (241)                    | (4,720)        |
| BALANCE, MARCH 31, 2022                                       | <u>258,967</u>                               | <u>175,000</u>                                  | <u>¥15,014</u>                   | <u>¥ 142</u>    | <u>¥ (1,142)</u>                        | <u>¥ (849)</u> | <u>¥ 83</u>   | <u>¥1,656</u>                                       | <u>¥ (6)</u>                             | <u>¥ 755</u>                     | <u>¥15,654</u> | <u>¥106</u>              | <u>¥15,761</u> |

|   | Thousands of U.S. Dollars (Note 1) |                 |   |                   |   |   |  |                                  |                   |                          |                   |
|---|------------------------------------|-----------------|---|-------------------|---|---|--|----------------------------------|-------------------|--------------------------|-------------------|
|   | Common Stock and Preferred Stock   | Capital Surplus | Retained Earnings (Accumulated Deficit) | Treasury Stock    | Accumulated Other Comprehensive Income (Loss)           |   |  |                                  |                   | Noncontrolling Interests | Total Equity      |
|   |                                    |                 |   |                   | Unrealized Gain (Loss) on Available-for-Sale Securities | Deferred Gain on Derivatives under Hedge Accounting | Foreign Currency Translation Adjustments | Defined Retirement Benefit Plans | Total             |                          |                   |
| BALANCE, MARCH 31, 2021                                       | \$ 123,072                         | \$ 1,168        | \$ 128,757                              | \$ (11,764)       | \$ 1,667  | \$ 253  | \$ 43,444                                | \$ 11,757                        | \$ 298,357        | \$ 2,852                 | \$ 301,209        |
| Cumulative effects of changes in accounting policies (Note 4) |                                    |                 | 9                                       |                   |   |   |  |                                  | 9                 |                          | 9                 |
| Net loss attributable to owners of the parent                 |                                    |                 | (103,523)                               |                   |   |   |  |                                  | (103,523)         |                          | (103,523)         |
| Cash dividends, \$0.17 per share                              |                                    |                 | (29,807)                                |                   |   |   |  |                                  | (29,807)          |                          | (29,807)          |
| Purchase of treasury stock                                    |                                    |                 |   | (3,079)           |   |   |  |                                  | (3,079)           |                          | (3,079)           |
| Disposal of treasury stock                                    |                                    | (4,802)         |   | 7,881             |   |   |  |                                  | 3,079             |                          | 3,079             |
| Transfer of loss on disposal of treasury stock                |                                    | 4,802           | (4,802)                                 |                   |   |   |  |                                  |                   |                          |                   |
| Net change in the year  |                                    |                 |   |                   | (982)   | 13,323  | (43,496)                                 | (5,561)                          | (36,717)          | (1,976)                  | (38,694)          |
| BALANCE, MARCH 31, 2022                                       | <u>\$ 123,072</u>                  | <u>\$ 1,168</u> | <u>\$ (9,366)</u>                       | <u>\$ (6,962)</u> | <u>\$ 684</u>   | <u>\$ 13,576</u>                                    | <u>\$ (51)</u>                           | <u>\$ 6,195</u>                  | <u>\$ 128,317</u> | <u>\$ 875</u>            | <u>\$ 129,193</u> |

See notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

Year Ended March 31, 2022

|   | Millions of Yen |                 | Thousands of<br>U.S. Dollars<br>(Note 1) | Millions of Yen |      | Thousands of<br>U.S. Dollars<br>(Note 1) |
|---|-----------------|-----------------|--|-----------------|------|--|
|   | 2022            | 2021            | 2022                                     | 2022            | 2021 | 2022                                     |
| <b>OPERATING ACTIVITIES:</b>  |                 |                 |  |                 |      |  |
| (Loss) income before income taxes   | ¥ (9,258)       | ¥ 8,876         | \$ (75,887)                              |                 |      |  |
| Adjustments for:  |                 |                 |  |                 |      |  |
| Income taxes paid   | (1,168)         | 2,504           | (9,575)                                  |                 |      |  |
| Depreciation  | 3,060           | 3,281           | 25,082                                   |                 |      |  |
| Impairment loss   | 426             |                 | 3,495                                    |                 |      |  |
| Amortization of goodwill  | 33              | 33              | 277                                      |                 |      |  |
| (Decrease) increase in allowance for doubtful accounts  | (86)            | 162             | (709)                                    |                 |      |  |
| Increase (decrease) in allowance for warranty costs for completed works   | 2,475           | (15)            | 20,293                                   |                 |      |  |
| (Decrease) increase in allowance for losses on construction contracts   | (2,806)         | 902             | (23,000)                                 |                 |      |  |
| (Decrease) increase in liability for retirement benefits  | (362)           | 398             | (2,972)                                  |                 |      |  |
| Foreign exchange gain—net   | (1,072)         | (225)           | (8,794)                                  |                 |      |  |
| Decrease in provision for business structure improvement  | (17)            | (383)           | (147)                                    |                 |      |  |
| Equity in losses (earnings) of associated companies   | 321             | (33)            | 2,634                                    |                 |      |  |
| Loss on valuation of investment securities  | 89              |                 | 734                                      |                 |      |  |
| Gain on sales of investment securities  | (160)           |                 | (1,314)                                  |                 |      |  |
| Gain on sales of shares of subsidiaries and associated companies  |                 | (413)           |  |                 |      |  |
| Gain on liquidation of subsidiaries and associated companies  | (326)           |                 | (2,678)                                  |                 |      |  |
| Loss on sales and disposals of fixed assets   | 319             |                 | 2,621                                    |                 |      |  |
| Changes in operating assets and liabilities:  |                 |                 |  |                 |      |  |
| Decrease in trade notes and accounts receivable, and costs and estimated earnings on long-term construction contracts | 8,380           | 12,377          | 68,692                                   |                 |      |  |
| Increase in costs of construction contracts in process  | (9,744)         | (3,809)         | (79,872)                                 |                 |      |  |
| Decrease in trade notes and accounts payable  | (25,028)        | (20,259)        | (205,151)                                |                 |      |  |
| Decrease in advance receipts on construction contracts  |                 | (40,465)        |  |                 |      |  |
| Increase in contract liabilities  | 65,506          |                 | 536,936                                  |                 |      |  |
| Increase in accounts receivable—other   | (111)           | (11,670)        | (910)                                    |                 |      |  |
| Decrease in accounts payable—other  | 39,750          | 1,144           | 325,823                                  |                 |      |  |
| (Increase) decrease in jointly controlled assets of joint venture   | (82,678)        | 37,595          | (677,694)                                |                 |      |  |
| Increase in interest and dividends receivable   | 15              | 77              | 124                                      |                 |      |  |
| Other—net   | (13,148)        | (10,883)        | (107,772)                                |                 |      |  |
| Total adjustments   | (16,333)        | (29,682)        | (133,880)                                |                 |      |  |
| Net cash used in operating activities—(Forward)   | ¥ (25,591)      | ¥ (20,806)      | \$ (209,767)                             |                 |      |  |
|   |                 |                 |  |                 |      |  |
| Net cash used in operating activities—(Forward)   | ¥ (25,591)      | ¥ (20,806)      | \$ (209,767)                             |                 |      |  |
| <b>INVESTING ACTIVITIES:</b>  |                 |                 |  |                 |      |  |
| Net (increase) decrease in time deposits  | (576)           | 348             | (4,725)                                  |                 |      |  |
| Purchases of property, plant and equipment  | (515)           | (608)           | (4,226)                                  |                 |      |  |
| Proceeds from sales of property, plant and equipment  | 1               | 563             | 14                                       |                 |      |  |
| Purchases of intangible assets  | (1,624)         | (1,541)         | (13,317)                                 |                 |      |  |
| Proceeds from sales of intangible assets  |                 | 746             |  |                 |      |  |
| Payments for purchases of investment securities   | (720)           | (659)           | (5,909)                                  |                 |      |  |
| Proceeds from sales of investment securities  | 230             |                 | 1,889                                    |                 |      |  |
| Proceeds from liquidation of subsidiaries and associated companies  | 79              |                 | 649                                      |                 |      |  |
| Proceeds from sales of shares of subsidiaries and associated companies  |                 | 14              |  |                 |      |  |
| Purchase of investments in subsidiaries with changes in consolidation scope   |                 | (18)            |  |                 |      |  |
| Proceeds from sales of investment in subsidiaries with changes in consolidation scope                                 |                 | (236)           |  |                 |      |  |
| Payments of loans receivable  | (987)           | (869)           | (8,097)                                  |                 |      |  |
| Proceeds from collections of loans  | 326             | 13              | 2,673                                    |                 |      |  |
| Other—net   |                 | (3)             |  |                 |      |  |
| Net cash used in investing activities   | (3,787)         | (2,250)         | (31,047)                                 |                 |      |  |
| <b>FINANCING ACTIVITIES:</b>  |                 |                 |  |                 |      |  |
| Proceeds from long-term debt  |                 | 10,000          |  |                 |      |  |
| Repayments of long-term debt  | (126)           | (122)           | (1,038)                                  |                 |      |  |
| Payments of cash dividends  | (3,636)         |                 | (29,807)                                 |                 |      |  |
| Other—net   | (433)           | (398)           | (3,556)                                  |                 |      |  |
| Net cash (used in) provided by financing activities   | (4,197)         | 9,478           | (34,403)                                 |                 |      |  |
| <b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>  | <u>3,938</u>    | <u>(3,616)</u>  | <u>32,279</u>                            |                 |      |  |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>  | (29,638)        | (17,194)        | (242,939)                                |                 |      |  |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>   | <u>98,738</u>   | <u>115,932</u>  | <u>809,329</u>                           |                 |      |  |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   | <u>¥ 69,099</u> | <u>¥ 98,738</u> | <u>\$ 566,390</u>                        |                 |      |  |

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Year Ended March 31, 2022

## 1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2021 consolidated financial statements to conform to the classifications used in 2022.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which Chiyoda Corporation (the "Company" or "Chiyoda") is incorporated and principally operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥122 to \$1, the approximate rate of exchange at March 31, 2022. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded down to the nearest million, except for per share data.

U.S. dollar figures less than a thousand U.S. dollars are rounded down to the nearest thousand, except for per share data.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**a. Consolidation**—The consolidated financial statements as of March 31, 2022, include the accounts of the Company and its 16 (19 in 2021) significant subsidiaries (together, the "Group").

Chiyoda (Thailand) Limited was excluded from the scope of consolidation due to the completion of liquidation.

Chiyoda Singapore (Pte) Limited was excluded from the scope of consolidation due to substantial completion of liquidation procedure.

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in five (five in 2021) associated companies are accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated companies are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

Most of the consolidated foreign subsidiaries have a December 31 year-end, which is different from that of the Company. As a result, adjustments have been made for any significant transactions which took place during the period between the year-end of these subsidiaries and the year-end of the Company.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is amortized over a period of 20 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

**b. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements**—Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or generally accepted accounting principles in the United States of America (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

**c. Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method**—ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or generally accepted accounting principles in the United States of America tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

**d. Revenue Recognition**—The Group provides the services of planning, engineering, procurement, construction, commissioning and maintenance of various plants, and also provides it of consulting for industrial facilities in the engineering business. Mainly long-term construction contracts are concluded. The guarantee that the plants satisfy the required specification defined in the construction contracts is not recognized as an independent performance obligation as it does not separately provide an independent service. The construction of plants follows the specification required by customers and the Group has a piece-work claim on the portion of the obligation that has been fulfilled. Therefore, the Group determines that the performance obligation is satisfied over time and recognizes revenue based on the progress in satisfying the performance obligation.

The percentage of completion is measured by the ratio of costs accrued on and before the end of reporting period in the estimated total construction cost, which is called the input method. If the period of construction from the beginning date defined in the contract to the estimated date of performance obligation completion is extremely short, the Group recognizes revenue at the time of performance obligation completion, adapting alternative treatment, instead of recognizing based on percentage of completion.

In addition, if liquidated damage defined in contracts for construction delays is expected, the estimated variable consideration is deducted from contract prices agreed in contracts with customers.

- e. **Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificates of deposit and short-term loans receivable based on uncommitted line of credit loan agreement with an affiliated company of Mitsubishi Corporation, all of which mature or become due within three months of the date of acquisition.
- f. **Short-Term Investments**—Short-term investments are time deposits which will mature within three months after the date of acquisition. Short-term investments are exposed to insignificant risk of changes in value.
- g. **Investment Securities**—All equity securities other than nonmarketable available-for-sale equity securities are classified as available-for-sale equity securities and are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of equity securities sold is determined based on the moving-average method.  
  
Nonmarketable available-for-sale equity securities are stated at cost determined by the moving-average method or at amortized cost. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.
- h. **Jointly Controlled Assets of Joint Venture**—The jointly controlled assets of the joint venture consist of jointly controlled cash pertaining to the contract work recognized based on the Company's share of the venture.
- i. **Allowance for Doubtful Accounts**—The allowance for doubtful accounts is stated in amounts considered to be appropriate based on the Group's past credit loss experience and an evaluation of potential losses in the receivables outstanding.
- j. **Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation is computed by the declining-balance method, except for buildings owned by the Company and structures acquired on or after April 1, 2016, that are depreciated using the straight-line method, at rates based on the estimated useful lives of the assets. The range of useful lives is from 8 to 57 years for buildings and structures, from 4 to 17 years for machinery and equipment, and from 4 to 15 years for tools, furniture, and fixtures.
- k. **Long-Lived Assets**—The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.
- l. **Software**—Software for internal use is amortized on a straight-line basis over its estimated useful life (five years at the maximum).
- m. **Other Assets**—Intangible assets and goodwill are carried at cost less accumulated amortization, which is calculated by the straight-line method over their estimated useful lives.

- n. **Allowance for Warranty Costs for Completed Work**—The allowance for warranty costs for completed work is provided based on past rate experience.
- o. **Allowance for Losses on Construction Contracts**—The allowance for losses on construction contracts is provided for an estimated amount of probable losses to be incurred in future years in respect of construction projects in progress.
- p. **Provision for Business Structure Improvement**—To improve business structure, the provision for business structure improvement is provided based on anticipated loss reasonably estimated for the next and the subsequent consolidated fiscal years.
- q. **Provision for Treatment of PCB Waste**—Provision for treatment of PCB (Poly Chlorinated Biphenyl) waste is provided based on estimated costs of the treatment for PCB products and equipment as well as their collection and transportation fees.
- r. **Retirement and Pension Plans**—The Company and consolidated subsidiaries have funded or unfunded defined benefit pension plans and defined contribution pension plans for employees. Certain consolidated subsidiaries have defined benefit corporate pension plans or severance lump-sum payment plans, and calculate retirement benefit expenses by using the simplified method.

The Company and its consolidated domestic subsidiaries account for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period.

Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees.

- s. **Asset Retirement Obligations**—Under Japanese GAAP, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.
- t. **Board Incentive Plan Trust for Director's Compensation**—The Company introduced a "Performance-Based Stock Compensation Plan" (the "Plan") to improve medium-to-long term business performance and to heighten the mindset of contributing to the enhancement of corporate value of our directors and executive officers (excluding non-executive directors and non-residents of Japan) (the "Directors & Officers") based on the ordinary general meeting of shareholders of the Company on June 23, 2021, from this consolidated fiscal year.

Accounting policies regarding the Plan follow "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30 of March 26, 2015).

(1) *Outline of the Plan*

The Company introduce a system called BIP (Board Incentive Plan) trust for Director's compensation ("BIP trust") and will provide the Company's stock and cash equivalent to realized amount of the Company's stock obtained from BIP trust depending on their positions and goal achievement after the Directors & Officers' retirement.

(2) *Company stock remaining in BIP trust*

Company stock remaining in BIP trust was recorded as treasury stock in equity referring book value of BIP trust excluding accompanying costs. Book value and the number of stocks of the treasury stock at March 31, 2022, were ¥375 million (\$3,079 thousand ) and 909,600 stocks.

**u. Research and Development Costs**—Research and development costs are charged to income as incurred.

**v. Leases**—Japanese GAAP require that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet.

All other leases are accounted for as operating leases.

**w. Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Company and its consolidated domestic subsidiaries file tax returns under the consolidated declaration system, which allows companies to base tax payments on the combined profits or losses of the parent company and its consolidated domestic subsidiaries.

The Company and its consolidated domestic subsidiaries shift from the consolidated declaration system to the group tax sharing system from following consolidated fiscal year. Please note that concerning items which transitioned to the group tax sharing system and those for which the nonconsolidated tax payment system was reviewed in line with the transition to the group tax sharing system, which has been established under the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 8 of 2020), the Company and its consolidated domestic subsidiaries will not apply the provisions of Paragraph 44 of "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28 of February 16, 2018), in accordance with Paragraph 3 of "Treatment of Tax Effect Accounting for the Transition from the Consolidated Declaration System to the Group Tax Sharing System" (PITF No. 39 of March 31, 2020). As a result, the amounts of deferred tax assets and deferred tax liabilities are reported based on the provisions of the tax act before the amendment.

From the beginning of the following consolidated fiscal year, the Company plans to apply the provisions of Paragraph 42 of "The Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (ASBJ Guidance No. 42 of August 12, 2021), defined the treatment of accounting and disclosure for declaration, local tax, and tax effect accounting.

**x. Foreign Currency Transactions**—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. Foreign exchange gains and losses from translation are recognized in the consolidated statement of operations to the extent that they are not hedged by foreign currency forward contracts.

**y. Foreign Currency Financial Statements**—Balance sheet accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date.

**z. Derivatives and Hedging Activities**—The Group uses derivative financial instruments, including foreign currency forward contracts, as a means of hedging exposure to foreign currency risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows:

(1) All derivatives are recognized as either assets or liabilities and measured at fair value, with gains or losses recognized in the consolidated statement of operations.

(2) For derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts are utilized to hedge foreign exchange risks. Certain assets and liabilities on construction contracts denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

Foreign currency deposits are held to hedge foreign exchange risks derived from forecasted purchases of fixed assets denominated in foreign currency.

**aa. Accounting Principles and Procedures Adopted When Related Accounting Regulations Were Unclear (Consolidation Measures for Jointly Controlled Entities)**—For jointly controlled entities that are not legal entities, the assets, liabilities, revenues and expenses are consolidated according to the amount of interest in the entity. This is conditional upon the fact that the contract specifies all assets and liabilities belong to the co-owners of the entity.

For incorporated jointly controlled entities, the assets, liabilities, revenues and expenses are consolidated according to the amount of interest in the entity. This is conditional upon the fact that in reality, the entity could be judged as an unincorporated entity. For example, if the contract specifies that all assets and liabilities belong to the co-owners, investment amounts are minimal, and liquidation is certain upon the completion of the project, the entity could be deemed as similar to unincorporated ones.

**ab. Per Share Information**—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if preferred stocks were exercised. Diluted net income per share of common stock assumes full exercise of preferred stocks.

Cash dividends per share presented in the accompanying consolidated statement of operations are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

**3. SIGNIFICANT ACCOUNTING ESTIMATES****Revenue Recognition**

(1) *The amount recorded in the fiscal year ended March 31, 2022*

|   | Millions of Yen |          | Thousands of |
|---|-----------------|----------|--------------|
|   | 2022            | 2021     | U.S. Dollars |
| Revenue   |                 | ¥279,241 |              |
| Revenue recognized in proportion to satisfying a performance obligation over time | ¥274,126        |          | \$2,246,935  |
| Allowance for losses on construction contracts                                    | 34,815          | 34,443   | 285,376      |

(2) *Information on significant accounting estimates*

Revenue recognized in proportion to satisfying a performance obligation over time is based on the percentage of completion measured by the ratio of costs in total construction cost, which is called input method as stated in Note 2, "Summary of Significant Accounting Policies, d. Revenue recognition."

When it is probable that the total construction costs will exceed total construction revenue and its amount is reasonably estimated, allowance for losses on construction contracts is recognized by deducting profit or loss that has been already posted from total estimated excess amount.

A part of the estimation of the total construction revenue based on the contracts with customers contains the elements of variable consideration, which come from future events that not occurred yet, such as incentive or bonuses from achieving significant milestones and liquidated damages for construction delays. Such estimation is based on the single amount that is most likely to arise when chosen from every possible amount of consideration.

In addition, the total construction cost includes significant estimation factors such as individual risks with construction conduct, and the estimated risks, including the effects of COVID-19 and the situation in Ukraine. If unpredictable changes in assumptions occur the total construction cost may change. In such cases, the degree of progress for contracts may change, which could have a significant impact on the figures of revenue recognized in proportion to satisfying a performance obligation over time and allowance for losses on construction contracts in the following consolidated fiscal year.

**4. ACCOUNTING CHANGE****a. Accounting Standards for Revenue Recognition**

The Company applies ASBJ Statement No. 29 of "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 of March 31, 2020) from the beginning of this consolidated fiscal year and recognizes revenue at the amount expected to be received in exchange for promised goods or services when control of the goods or services is transferred to customers. Conventionally, the Company had adopted the percentage of completion method of accounting that measure on the basis of the estimated completion of the physical proportion of the contract work or completed contract method of accounting for the other contract work. However, regarding the performance obligation satisfying over a certain period, the Group decided to adopt a revenue recognizing method as estimating the progress of the satisfaction of performance obligation, and recognize the revenue over the certain period that is based on the extent of progress towards completion of the performance obligation. The method of estimating the degree of progress in satisfying performance obligation is based on the ratio of the cost incurred to the estimated total construction cost (input method). Meanwhile, the Company adopts alternative method toward very short-term construction contracts from the beginning date in a contract to the estimated point in time of satisfying the obligation, and recognizes revenue upon complete satisfaction of performance obligation.

Liquidated damage against overdue in contract was treated as cost of revenue before, but the Company changed a method to adopt, which the liquidated damage is treated as a minus of revenue, in accordance with the instruction related to variable consideration in ASBJ Statement No. 29.

Contract assets are the right of the Group for consideration recorded by recognizing revenue based on the progress. At the point that the right of the Group for consideration become unconditional, contract assets will be transferred to accounts receivable—trade. Contract liabilities are the consideration received before fulfillment of the contract. With the revenue recognition for contracts that received the consideration in advance, contract liabilities will be transferred to revenue.

Accounting Standards for Revenue Recognition is adopted in accordance with the transitional measures defined in the proviso Paragraph 84 of "Accounting Standards for Revenue Recognition." Following that, the amount of cumulative effect, which is incurred by application of the new accounting standards retrospective to the date before the beginning of this consolidated fiscal year, is included in the beginning balance of retained earnings—unappropriated in this consolidated fiscal year. However, as the method defined in Paragraph 86 of "Accounting Standards for Revenue Recognition" is adopted, the new accounting standards are not applied to the contracts that have already recognized almost of all revenue by following the previous method, retrospective to the date before the beginning of this consolidated fiscal year. Also, by applying the method defined in the Paragraph 86(1) of "Accounting Standards for Revenue Recognition," the revenue recognition was processed based on the contract conditions reflecting all the changes in contract that happened before the beginning of this consolidated fiscal year. The cumulative effects incurred are included in the beginning balance of retained earnings—unappropriated in this consolidated fiscal year.

As a result, compared with the consolidated statement of operations that applies the previous accounting policies, revenue increased by ¥228 million (\$1,870 thousand), cost of revenue increased by ¥212 million (\$1,741 thousand), operating income increased by ¥15 million (\$129 thousand) and loss before income taxes decreased by ¥15 million (\$129 thousand) in this consolidated fiscal year.

Net loss before taxes decreased by ¥15 million (\$129 thousand) in the consolidated statement of cash flows for this consolidated fiscal year.

Reflecting the cumulative impact on net assets at the beginning of this consolidated fiscal year, beginning balance of retained surplus in consolidated statement of changes in equity increased by ¥1 million (\$9 thousand).

The impact on information per share was noted in Note 24, "Net (Loss) Income per Share."

Following transitional treatment defined in Paragraph 89-3 of "Accounting Standards for Revenue Recognition," Note 16, "Revenue" does not include statement for the last consolidated fiscal year.

Since the Company adopted the Accounting Standards for Revenue Recognition, "Costs and estimated earnings on long-term construction contracts," which was presented in current assets in the consolidated balance sheet for the last fiscal year, is included in "Contract assets" from this consolidated fiscal year. Additionally, "Advance receipts on construction contracts" presented in current liabilities is presented as "Contract liabilities." Following transitional treatment defined in Paragraph 89-2 of "Accounting Standards for Revenue Recognition," the amounts in the last consolidated fiscal year were not reclassified per the new presentation.

**b. Accounting Standards for Fair Value Measurement**

The Company applies ASBJ Statement No. 30 of "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 of July 4, 2019) from the beginning of this consolidated fiscal year and will continue to follow Paragraph 19 of "Accounting Standard for Fair Value Measurement" and Paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 of July 4, 2019). By applying the standard, the valuation method of available-for-sale investment securities changed from the market value method based on the average amount of market price in one month prior to the fiscal year-end to the market value method based on the market price on the last day of the fiscal year. Effects of applying this accounting policy to the consolidated financial statement is immaterial.

In Note 21, "Financial Instruments and Related Disclosures," financial instruments categorized by fair value hierarchy are disclosed. Following the transitional treatment defined in Paragraph 7-4 of "Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 of July 4, 2019), notes for the last consolidated fiscal year are omitted.

**5. CHANGES IN PRESENTATION**

(Consolidated Balance Sheet)

"Account payable—other" included within "Accrued expenses and other" under "Current liabilities" for the previous consolidated fiscal year is separately stated for the fiscal year ended March 31, 2022, as it exceeded 5% of the total liabilities and equity. As a result of this reclassification, the amount of ¥12,661 million presented as "Accrued expenses and other" under "Current liabilities" for the previous consolidated fiscal year, is reclassified as "Account payable—other" of ¥4,200 million and "Accrued expenses and other" of ¥8,460 million.

(Consolidated Statement of Cash Flows)

"Decrease in accounts payable—other" included within "Decrease in trade notes and accounts payable" under "Operating activities" for the previous consolidated fiscal year is separately stated for the fiscal year ended March 31, 2022, as the amounts became material. As a result of this reclassification, the amount of ¥19,115 million presented as "Decrease in trade notes and accounts payable" for the previous consolidated fiscal year, is reclassified as "Decrease in trade notes and accounts payable" of ¥20,259 million and "Decrease in accounts payable—other" of ¥1,144 million.

**6. RECEIVABLES FROM CONTRACT WITH CUSTOMERS AND CONTRACT ASSETS**

Notes receivable, receivables from contract with customers and contract assets at March 31, 2022, were as follows:

|                           | Millions of Yen | Thousands of U.S. Dollars |
|---------------------------|-----------------|---------------------------|
|                           | <u>2022</u>     | <u>2022</u>               |
| Notes receivable—trade    | ¥ 1,577         | \$ 12,934                 |
| Accounts receivable—trade | 28,395          | 232,747                   |
| Contract assets           | 10,465          | 85,784                    |

**7. INVESTMENT SECURITIES**

Investment securities at March 31, 2022 and 2021, consisted of the following:

|                               | Millions of Yen |             | Thousands of U.S. Dollars |
|-------------------------------|-----------------|-------------|---------------------------|
|                               | <u>2022</u>     | <u>2021</u> | <u>2022</u>               |
| Non-current—Equity securities | ¥1,479          | ¥1,720      | \$ 12,125                 |

The costs and aggregate fair values of investment securities at March 31, 2022 and 2021, were as follows:

March 31, 2022

|                                      | Millions of Yen |                         |                          | Fair Value   |
|--------------------------------------|-----------------|-------------------------|--------------------------|--------------|
|                                      | <u>Cost</u>     | <u>Unrealized Gains</u> | <u>Unrealized Losses</u> | <u>Value</u> |
| Securities classified as—            |                 |                         |                          |              |
| Available-for-sale—equity securities | ¥237            | ¥101                    |                          | ¥338         |

March 31, 2021

|                                      | Millions of Yen |                         |                          | Fair Value   |
|--------------------------------------|-----------------|-------------------------|--------------------------|--------------|
|                                      | <u>Cost</u>     | <u>Unrealized Gains</u> | <u>Unrealized Losses</u> | <u>Value</u> |
| Securities classified as—            |                 |                         |                          |              |
| Available-for-sale—equity securities | ¥307            | ¥286                    | ¥25                      | ¥569         |

March 31, 2022

|                                      | Thousands of U.S. Dollars |                         |                          | Fair Value   |
|--------------------------------------|---------------------------|-------------------------|--------------------------|--------------|
|                                      | <u>Cost</u>               | <u>Unrealized Gains</u> | <u>Unrealized Losses</u> | <u>Value</u> |
| Securities classified as—            |                           |                         |                          |              |
| Available-for-sale—equity securities | \$1,943                   | \$ 833                  | \$3                      | \$2,774      |

Information on the available-for-sale securities sold during the year ended March 31, 2022, was as follows:

March 31, 2022

|                                      | Millions of Yen |                       |                        |
|--------------------------------------|-----------------|-----------------------|------------------------|
|                                      | <u>Proceeds</u> | <u>Realized Gains</u> | <u>Realized Losses</u> |
| Securities classified as—            |                 |                       |                        |
| Available-for-sale—equity securities | ¥230            | ¥160                  |                        |

March 31, 2022

|                                      | Thousands of U.S. Dollars |                |                 |
|--------------------------------------|---------------------------|----------------|-----------------|
|                                      | Proceeds                  | Realized Gains | Realized Losses |
| Securities classified as—            |                           |                |                 |
| Available-for-sale—equity securities | \$1,890                   | \$1,425        |                 |

The impairment loss on available-for-sale securities for the year ended March 31, 2022, was ¥89 million (\$734 thousand).

When assessing impairment, if the available fair value at the end of the period of the securities declines by 50% or more, compared with acquisition cost, all the corresponding securities are impaired. In addition, in the case whereby the available fair value of the securities declined by more than 30% but by less than 50%, the Group examines the recoverability of the fair value of the securities and reduce the value if those securities are considered to be unrecoverable.

#### 8. IMPAIRMENT LOSS OF LONG-LIVED ASSETS

Impairment loss on long-lived assets for the fiscal year ended March 31, 2022, was as follows:

March 31, 2022

| Location | Used Status     | Category of Assets                              | Impairment Loss |                           |
|----------|-----------------|---|-----------------|---------------------------|
|          |                 |   | Millions of Yen | Thousands of U.S. Dollars |
| Myanmar  | Business assets | Buildings, structures and investment properties | ¥426            | \$3,495                   |

The Group grouped the business assets based on business segments.

The impairment loss of ¥426 million (\$3,495 thousand), including loss for buildings of ¥266 million (\$2,186 thousand) and investment properties of ¥159 million (\$1,308 thousand), was reported on other expenses by identifying the indication of impairment considering the economic situation of Myanmar and the prospect of it and reducing book value to the recoverable value. The recoverable value is measured by estimating the value in use. The recoverable value is estimated to be zero as the value of the buildings, structures, and investment properties based on future cash flows is minus.

#### 9. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATED COMPANIES

Investments in and advances to unconsolidated subsidiaries and associated companies at March 31, 2022 and 2021, were as follows:

|             | Millions of Yen |        | Thousands of U.S. Dollars |
|-------------|-----------------|--------|---------------------------|
|             | 2022            | 2021   | 2022                      |
| Investments | ¥4,032          | ¥3,981 | \$33,049                  |
| Total       | ¥4,032          | ¥3,981 | \$33,049                  |

#### 10. ASSETS AND LIABILITIES ACCOUNTED FOR AS FINANCIAL TRANSACTIONS

Assets and liabilities accounted for as financial transactions at March 31, 2022 and 2021, were as follows:

|                                   | Millions of Yen |      | Thousands of U.S. Dollars |
|-----------------------------------|-----------------|------|---------------------------|
|                                   | 2022            | 2021 | 2022                      |
| Land                              | ¥381            | ¥381 | \$3,124                   |
| Buildings and structures          | 281             | 311  | 2,309                     |
| Tools, furniture and fixtures     |                 |      |                           |
| Current portion of long-term debt | 621             | 747  | 5,092                     |

#### 11. LONG-TERM DEBT

Long-term debt at March 31, 2022 and 2021, consisted of the following:

|   | Millions of Yen |         | Thousands of U.S. Dollars |
|---|-----------------|---------|---------------------------|
|   | 2022            | 2021    | 2022                      |
| Long-term loans from banks, with interest rates at 2.5% (2022) and 2.5% (2021)—Unsecured                              | ¥20,000         | ¥20,000 | \$163,934                 |
| Long-term loans from banks, with interest rates at 1.9% (2022) and 1.9% (2021)—Unsecured                              | 10,000          | 10,000  | 81,967                    |
| Long-term loans from banks, with interest rate at 0.8% (2022) and 0.8% (2021)—Unsecured                               | 4,000           | 4,000   | 32,787                    |
| Long-term loans from banks, with interest rate at 0.7% (2022) and 0.7% (2021)—Unsecured                               | 1,000           | 1,000   | 8,197                     |
| Long-term loans accounted as financial transactions, with interest rate at 3.4% (2022) and 3.4% (2021)—Collateralized | 621             | 747     | 5,092                     |
| Long-term loans accounted as financial transactions, with interest rate at 1.1% (2022) and 1.1% (2021)—Collateralized | 10,000          | 10,000  | 81,967                    |
| Obligations under finance leases  | 1,279           | 1,066   | 10,486                    |
| Total   | 46,900          | 46,814  | 384,431                   |
| Less current portion  | (21,269)        | (1,201) | (174,336)                 |
| Long-term debt, less current portion  | ¥25,631         | ¥45,612 | \$210,094                 |

Annual maturities of long-term debt, excluding finance leases, at March 31, 2022, were as follows:

| Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|----------------------|-----------------|---------------------------|
| 2022                 | ¥20,621         | \$169,026                 |
| 2023                 | 5,000           | 40,983                    |
| 2024                 | 20,000          | 163,934                   |
| Total                | ¥45,621         | \$373,944                 |

**12. PLEDGED ASSETS AND SECURED LIABILITIES**

Assets that are pledged as collateral were as follows:

|                        | Millions of Yen |               | Thousands of U.S. Dollars |
|------------------------|-----------------|---------------|---------------------------|
|                        | 2022            | 2021          | 2022                      |
| Buildings and fixtures | ¥1,849          | ¥2,029        | \$ 15,161                 |
| Land                   | 4,013           | 4,013         | 32,896                    |
| Investment securities  | 37              | 37            | 304                       |
| <b>Total</b>           | <b>¥5,900</b>   | <b>¥6,080</b> | <b>\$ 48,362</b>          |

Secured liabilities were as follows:

|                                    | Millions of Yen |                | Thousands of U.S. Dollars |
|------------------------------------|-----------------|----------------|---------------------------|
|                                    | 2022            | 2021           | 2022                      |
| Current portion of long-term loans | ¥ 10,000        |                | \$ 81,967                 |
| Long-term loans                    |                 | ¥10,000        |                           |
| <b>Total</b>                       | <b>¥ 10,000</b> | <b>¥10,000</b> | <b>\$ 81,967</b>          |

Other than the assets mentioned above, an investment in a Special Purpose Company ("SPC") is also pledged as collateral. The investment amount is eliminated against the SPC's equity account.

The investment amounts were ¥58,564 million (\$480,034 thousand) and ¥55,881 million for the years ended March 31, 2022 and 2021, respectively.

**13. RETIREMENT AND PENSION PLANS**

The Company and consolidated subsidiaries have funded or unfunded defined benefit pension plans and defined contribution pension plans for employees.

Under defined benefit corporate pension plans, all of which are funded, employees are entitled to certain lump-sum payments or pension payments based on cumulated points which are granted in accordance with years of continuous employment, occupational classification and performance evaluation. Under severance lump-sum payment plans, employees are entitled to certain lump-sum payments based on salary and service period.

Certain consolidated subsidiaries have defined benefit corporate pension plans or severance lump-sum payment plans, and calculate retirement benefit expenses by using the simplified method.

(1) The changes in defined benefit obligation for the years ended March 31, 2022 and 2021, were as follows:

|  | Millions of Yen |                 | Thousands of U.S. Dollars |
|--|-----------------|-----------------|---------------------------|
|  | 2022            | 2021            | 2022                      |
| Balance at beginning of year                 | ¥ 18,847        | ¥ 19,809        | \$ 154,491                |
| Current service cost                         | 856             | 995             | 7,024                     |
| Interest cost                                | 142             | 175             | 1,168                     |
| Actuarial gains                              | (44)            | (427)           | (367)                     |
| Benefits paid                                | (1,272)         | (1,663)         | (10,430)                  |
| Transfer of debt with business divestitures* | (822)           |                 | (6,740)                   |
| Others                                       | 30              | (42)            | 253                       |
| <b>Balance at end of year</b>                | <b>¥ 17,738</b> | <b>¥ 18,847</b> | <b>\$ 145,399</b>         |

\* This was due to the transfer of defined benefit obligation in this consolidated fiscal year, by a factor of business divestiture of IT business from Chiyoda System Technologies in last consolidated fiscal year.

(2) The changes in plan assets for the years ended March 31, 2022 and 2021, were as follows:

|   | Millions of Yen |                 | Thousands of U.S. Dollars |
|---|-----------------|-----------------|---------------------------|
|   | 2022            | 2021            | 2022                      |
| Balance at beginning of year                  | ¥ 18,893        | ¥ 18,204        | \$ 154,861                |
| Expected return on plan assets                | 331             | 351             | 2,716                     |
| Actuarial gains                               | (385)           | 1,198           | (3,160)                   |
| Contributions from the employer               | 1,073           | 759             | 8,798                     |
| Benefits paid                                 | (1,272)         | (1,661)         | (10,430)                  |
| Transfer of asset with business divestitures* | (822)           |                 | (6,740)                   |
| Others  | 22              | 41              | 187                       |
| <b>Balance at end of year</b>                 | <b>¥ 17,840</b> | <b>¥ 18,893</b> | <b>\$ 146,231</b>         |

\* This was due to the transfer of plan assets in this consolidated fiscal year, by a factor of business divestiture of IT business from Chiyoda System Technologies in last consolidated fiscal year.

(3) The changes in the liability recorded in the consolidated balance sheet by using the simplified method for the years ended March 31, 2022 and 2021, were as follows:

|                               | Millions of Yen |              | Thousands of U.S. Dollars |
|-------------------------------|-----------------|--------------|---------------------------|
|                               | 2022            | 2021         | 2022                      |
| Balance at beginning of year  | ¥ 239           | ¥ 381        | \$ 1,965                  |
| Benefit costs                 | 111             | (14)         | 909                       |
| Benefits paid                 | (31)            | (36)         | (259)                     |
| Contribution to the plans     | (85)            | (92)         | (696)                     |
| Others                        | 7               | 1            | 65                        |
| <b>Balance at end of year</b> | <b>¥ 242</b>    | <b>¥ 239</b> | <b>\$ 1,984</b>           |

(4) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligations and plan assets:

|   | Millions of Yen |              | Thousands of U.S. Dollars |
|---|-----------------|--------------|---------------------------|
|   | 2022            | 2021         | 2022                      |
| Funded defined benefit obligations                            | ¥ 18,913        | ¥ 20,021     | \$ 155,030                |
| Plan assets   | (19,153)        | (20,175)     | (156,993)                 |
| <b>Total</b>  | <b>(239)</b>    | <b>(153)</b> | <b>(1,962)</b>            |
| Unfunded defined benefit obligations                          | 380             | 348          | 3,115                     |
| <b>Net liability arising from defined benefit obligations</b> | <b>¥ 140</b>    | <b>¥ 194</b> | <b>\$ 1,152</b>           |

|  | Millions of Yen |       | Thousands of |
|--|-----------------|-------|--------------|
|  | 2022            | 2021  | U.S. Dollars |
| Liability for retirement benefits                      | ¥773            | ¥761  | \$6,342      |
| Asset for retirement benefits                          | (633)           | (566) | (5,189)      |
| Net liability arising from defined benefit obligations | ¥140            | ¥194  | \$1,152      |

(5) The components of net periodic benefit costs for the years ended March 31, 2022 and 2021, were as follows:

|                                    | Millions of Yen |       | Thousands of |
|------------------------------------|-----------------|-------|--------------|
|                                    | 2022            | 2021  | U.S. Dollars |
| Service cost                       | ¥856            | ¥ 995 | \$7,024      |
| Interest cost                      | 142             | 175   | 1,168        |
| Expected return on plan assets     | (331)           | (351) | (2,716)      |
| Recognized actuarial gains         | (317)           | (100) | (2,601)      |
| Benefit costs in simplified method | 111             | (14)  | 909          |
| Others                             | —               | 3     | —            |
| Net periodic benefit costs         | ¥461            | ¥ 708 | \$3,784      |

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2022 and 2021, were as follows:

|                          | Millions of Yen |          | Thousands of |
|--------------------------|-----------------|----------|--------------|
|                          | 2022            | 2021     | U.S. Dollars |
| Actuarial losses (gains) | ¥662            | ¥(1,576) | \$5,428      |
| Total                    | ¥662            | ¥(1,576) | \$5,428      |

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2022 and 2021, were as follows:

|                              | Millions of Yen |          | Thousands of |
|------------------------------|-----------------|----------|--------------|
|                              | 2022            | 2021     | U.S. Dollars |
| Unrecognized actuarial gains | ¥(917)          | ¥(1,579) | \$(7,517)    |
| Total                        | ¥(917)          | ¥(1,579) | \$(7,517)    |

(8) Plan assets

a. *Components of plan assets*

Plan assets as of March 31, 2022 and 2021, consisted of the following:

|                    | 2022 | 2021 |
|--------------------|------|------|
| Debt investments   | 35%  | 34%  |
| Equity investments | 27   | 27   |
| General accounts   | 18   | 24   |
| Others             | 20   | 15   |
| Total              | 100% | 100% |

b. *Method of determining the expected rate of return on plan assets*

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Assumptions used for the years ended March 31, 2022 and 2021, were set forth as follows:

|  | 2022        | 2021        |
|--|-------------|-------------|
| Discount rate                          | Mainly 0.7% | Mainly 0.7% |
| Expected rate of return on plan assets | Mainly 1.8% | Mainly 1.8% |

(10) Payables to defined contribution plans of the Company and consolidated subsidiaries for the years ended March 31, 2022 and 2021, were ¥341 million (\$2,799 thousand) and ¥337 million, respectively.

## 14. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria, an Audit & Supervisory Board may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Board of Directors of a company with an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such company, by its nature, meets the criteria under the Companies Act. The Company became organized as a company with an audit and supervisory committee effective June 23, 2016. However, the Company does not meet all the above criteria.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

The preferred dividend annual rate for the Class A Preferred Shares is set at 3%. If there is a shortfall in dividend on the shareholders of Class A Preferred Shares during a fiscal year, such shortfall will be carried over into the following fiscal year or into subsequent fiscal years. The shareholders of Class A Preferred Shares may not receive dividends from surplus in excess of the amount of such preferred dividends. The order of preference on payment of dividends from surplus between the Class A Preferred Shares and common shares is as follows: the amount equal to the unpaid dividends carried over on the Class A Preferred Shares is paid first; preferred dividends on the Class A Preferred Shares are paid next; and dividends on common shares are paid last.

**b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus**

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

**c. Treasury Stock and Treasury Stock Acquisition Rights**

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

**15. INCOME TAXES**

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 31% for the years ended March 31, 2022 and 2021.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2022 and 2021, were as follows:

|   | Millions of Yen |          | Thousands of U.S. Dollars |
|---|-----------------|----------|---------------------------|
|   | 2022            | 2021     | 2022                      |
| Deferred tax assets:  |                 |          |                           |
| Tax loss carryforwards* <sup>3</sup>  | ¥56,415         | ¥48,753  | \$462,418                 |
| Cost of revenue   | 10,635          | 6,057    | 87,179                    |
| Adjustment of percentage of completion for foreign construction               | 4,514           | 2,424    | 37,006                    |
| Allowance for losses on construction contracts                                | 4,275           | 5,952    | 35,044                    |
| Long-term accounts receivable   | 1,824           | 1,824    | 14,952                    |
| Long-term loans receivable  | 1,643           | 1,643    | 13,469                    |
| Accounts receivable from completed construction contracts                     |                 | 2,290    |                           |
| Accounts receivable from completed construction contracts and contract assets | 1,366           |          | 11,201                    |
| Allowance for employees' bonus  | 960             | 1,150    | 7,870                     |
| Asset retirement obligations  | 530             | 465      | 4,345                     |
| Advances receipts on construction contracts                                   |                 | 1,695    |                           |
| Contract liabilities  | 240             |          | 1,971                     |
| Loss on valuation of investment securities                                    | 97              | 4,809    | 797                       |
| Deposits received   | 13              | 844      | 109                       |
| Other   | 2,586           | 2,925    | 21,201                    |
| Subtotal of deferred tax assets   | 85,103          | 80,836   | 697,568                   |
| Valuation allowance for tax loss carryforwards* <sup>3</sup>                  | (56,380)        | (48,719) | (462,133)                 |
| Valuation allowance for temporary differences                                 | (28,002)        | (30,992) | (229,527)                 |
| Subtotal valuation allowance* <sup>2</sup>                                    | (84,382)        | (79,711) | (691,660)                 |
| Total   | 720             | 1,125    | 5,908                     |
| Deferred tax liabilities:   |                 |          |                           |
| Deferred gains on hedges  | (749)           | (13)     | (6,141)                   |
| Fixed assets as asset retirement obligations                                  | (265)           | (250)    | (2,176)                   |
| Other   | (109)           | (466)    | (897)                     |
| Total   | (1,124)         | (730)    | (9,214)                   |
| Net deferred tax assets* <sup>1</sup>   | ¥ (403)         | ¥ 394    | \$ (3,306)                |

\*<sup>1</sup> Net deferred tax assets and deferred tax liabilities as of March 31, 2022 and 2021, were recorded in the accompanying consolidated balance sheet as follows:

|  | Millions of Yen |      | Thousands of U.S. Dollars |
|--|-----------------|------|---------------------------|
|  | 2022            | 2021 | 2022                      |
| Investments and other assets—Deferred tax assets | ¥129            | ¥394 | \$1,065                   |
| Long-term liabilities—Deferred tax liabilities   | (533)           |      | (4,371)                   |

\*<sup>2</sup> The main reason for the fluctuation of the valuation allowance is the increase of the valuation allowance for the cost of revenue.

## Notes to Consolidated Financial Statements

\*<sup>3</sup> Amounts of tax loss carryforwards and related deferred tax assets by tax loss carryforwards for the years ended March 31, 2022 and 2021, were as follows:

| March 31, 2022                                 | Millions of Yen |                              |                               |                               |                               |               | Total    |
|--|-----------------|------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------|----------|
|  | 1 Year or Less  | After 1 Year through 2 Years | After 2 Years through 3 Years | After 3 Years through 4 Years | After 4 Years through 5 Years | After 5 Years |          |
| Tax loss carryforwards*                        | ¥147            | ¥3,635                       | ¥64                           | ¥2,418                        | ¥8,979                        | ¥41,169       | ¥56,415  |
| Valuation allowance for tax loss carryforwards | (147)           | (3,600)                      | (64)                          | (2,418)                       | (8,979)                       | (41,169)      | (56,380) |
| Deferred tax assets                            |                 | 34                           |                               |                               |                               |               | 34       |

| March 31, 2021                                 | Millions of Yen |                              |                               |                               |                               |               | Total    |
|--|-----------------|------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------|----------|
|  | 1 Year or Less  | After 1 Year through 2 Years | After 2 Years through 3 Years | After 3 Years through 4 Years | After 4 Years through 5 Years | After 5 Years |          |
| Tax loss carryforwards*                        | ¥376            | ¥13                          | ¥3,640                        | ¥236                          | ¥2,242                        | ¥42,244       | ¥48,753  |
| Valuation allowance for tax loss carryforwards | (376)           | (13)                         | (3,605)                       | (236)                         | (2,242)                       | (42,244)      | (48,719) |
| Deferred tax assets                            |                 |                              | 34                            |                               |                               |               | 34       |

| March 31, 2022                                 | Thousands of U.S. Dollars |                              |                               |                               |                               |               | Total     |
|--|---------------------------|------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------|-----------|
|  | 1 Year or Less            | After 1 Year through 2 Years | After 2 Years through 3 Years | After 3 Years through 4 Years | After 4 Years through 5 Years | After 5 Years |           |
| Tax loss carryforwards*                        | \$1,211                   | \$29,801                     | \$526                         | \$19,822                      | \$73,603                      | \$337,453     | \$462,418 |
| Valuation allowance for tax loss carryforwards | (1,211)                   | (29,516)                     | (526)                         | (19,822)                      | (73,603)                      | (337,453)     | (462,133) |
| Deferred tax assets                            |                           | 285                          |                               |                               |                               |               | 285       |

\* Figures for tax loss carryforwards were the amounts multiplied by the effective statutory tax rate.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of operations for the years ended March 31, 2022 and 2021, is as follows:

|   | 2022 | 2021       |
|---|------|------------|
| Normal effective statutory tax rate             |      | 31%        |
| Expenses not deductible for income tax purposes |      | 8          |
| Nontaxable dividend income                      |      | (2)        |
| Profit/loss in joint venture                    |      | (16)       |
| Tax rate differences with foreign subsidiaries  |      | 6          |
| Income taxes for prior periods                  |      | (18)       |
| Other   |      | 3          |
| Actual effective tax rate                       |      | <u>10%</u> |

Due to reporting of the loss before income tax for this fiscal year, the Group has omitted the reporting.

## 16. REVENUE

### (1) Disaggregation of Revenue

Revenues from contracts with customers on a disaggregated basis for the year ended March 31, 2022, were as follows:

Year Ended March 31, 2022

|  | Millions of Yen                |                     |                 |
|--|--------------------------------|---------------------|-----------------|
|  | Reportable Segment Engineering | Other* <sup>1</sup> | Total           |
| Geographical areas:                          |                                |                     |                 |
| America                                      | ¥ 54,105                       |                     | ¥ 54,105        |
| Asia and Oceania                             | 57,161                         |                     | 57,161          |
| Middle and near East and Africa              | 82,321                         |                     | 82,321          |
| Other oversea                                | (150)                          |                     | (150)           |
| Japan  | 116,956                        | ¥721                | 117,677         |
| Revenues from contracts with customers       | 310,394                        | 721                 | 311,115         |
| Other revenue                                |                                |                     |                 |
| Total  | <u>¥310,394</u>                | <u>¥721</u>         | <u>¥311,115</u> |
| Products and services:                       |                                |                     |                 |
| LNG plant                                    | ¥ 155,454                      |                     | ¥ 155,454       |
| Other gas products                           | 4,063                          |                     | 4,063           |
| Oil and petrochemical                        | 56,670                         |                     | 56,670          |
| Medicine, biochemistry and general chemistry | 32,681                         |                     | 32,681          |
| Environment, new energy and infrastructure   | 59,069                         |                     | 59,069          |
| Other  | 2,455                          | ¥721                | 3,176           |
| Revenues from contracts with customers       | 310,394                        | 721                 | 311,115         |
| Other revenue                                |                                |                     |                 |
| Total  | <u>¥310,394</u>                | <u>¥721</u>         | <u>¥311,115</u> |

## Year Ended March 31, 2022

|  | Thousands of U.S. Dollars |                |                    |
|--|---------------------------|----------------|--------------------|
|  | Reportable Segment        |                |                    |
|  | Engineering               | Other*1        | Total              |
| <b>Geographical areas:</b>                   |                           |                |                    |
| America                                      | \$ 443,487                |                | \$ 443,487         |
| Asia and Oceania                             | 468,537                   |                | 468,537            |
| Middle and near East and Africa              | 674,769                   |                | 674,769            |
| Other oversea                                | (1,236)                   |                | (1,236)            |
| Japan  | 958,659                   | \$5,911        | 964,570            |
| Revenues from contracts with customers       | 2,544,216                 | 5,911          | 2,550,127          |
| Other revenue                                |                           |                |                    |
| <b>Total</b>                                 | <b>\$2,544,216</b>        | <b>\$5,911</b> | <b>\$2,550,127</b> |
| <b>Products and services:</b>                |                           |                |                    |
| LNG plant                                    | \$ 1,274,214              |                | \$ 1,274,214       |
| Other gas products                           | 33,309                    |                | 33,309             |
| Oil and petrochemical                        | 464,509                   |                | 464,509            |
| Medicine, biochemistry and general chemistry | 267,877                   |                | 267,877            |
| Environment, new energy and infrastructure   | 484,178                   |                | 484,178            |
| Other  | 20,127                    | \$5,911        | 26,038             |
| Revenues from contracts with customers       | 2,544,216                 | 5,911          | 2,550,127          |
| Other revenue                                |                           |                |                    |
| <b>Total</b>                                 | <b>\$2,544,216</b>        | <b>\$5,911</b> | <b>\$2,550,127</b> |

\*1 Division of "Other" is other business segment which is not included in reportable segment, and contains worker dispatch business.

**(2) Basic Information to Understand Revenues from Contracts with Customers**

Basic information to understand revenue from contracts with customers is included in Note 2, "Summary of Significant Accounting Policies, d. Revenue Recognition."

**(3) Contract Balances**

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the year are as follows:

## Year Ended March 31, 2022

|   | Millions of Yen | Thousands of U.S. Dollars |
|---|-----------------|---------------------------|
| <b>Receivables from contracts with customers:</b> |                 |                           |
| Balance at beginning of year                      | ¥ 40,957        | \$ 335,715                |
| Balance at end of year                            | 29,973          | 245,682                   |
| <b>Contract assets:</b>                           |                 |                           |
| Balance at beginning of year                      | 7,570           | 62,053                    |
| Balance at end of year                            | 10,465          | 85,784                    |
| <b>Contract liabilities:</b>                      |                 |                           |
| Balance at beginning of year                      | 74,833          | 613,389                   |
| Balance at end of year                            | 143,431         | 1,175,670                 |

Contract assets are the right of the Group for consideration recorded by recognizing revenue based on the progress. At the point that the right of the Group for consideration become unconditional, contract assets will be transferred to accounts receivable—trade.

Contract liabilities are advance receipt from customers before fulfillment of contract regarding contract which recognize revenue based on progress. Contract liabilities will be reversed after revenue recognition.

The Group roughly receive consideration in proportion to the satisfying a performance obligation as conditions are defined in contracts such as milestones. No consideration contains significant financial elements.

In this consolidated fiscal year, changes in contract assets were mainly due to revenue recognition (increase) and transfer to accounts receivable—trade (decrease). Changes in contract liabilities were mainly due to cash receipt for advance receipts from construction contracts (increase) and revenue recognition (decrease).

The amount of revenue recognized during this consolidated fiscal year included in the beginning balance of contract liabilities is ¥60,707 million (\$497,600 thousand).

The amount of revenue recognized during this consolidated fiscal year included in the performance obligation satisfied before this fiscal year is ¥6,650 million (\$54,512 thousand).

**(4) Transaction Prices Allocated to Remaining Performance Obligations**

The following table shows the summary of the transaction prices allocated to remaining performance obligations that are unsatisfied as of March 31, 2022:

## Year Ended March 31, 2022

|                         | Millions of Yen   | Thousands of U.S. Dollars |
|-------------------------|-------------------|---------------------------|
| Within one year         | ¥ 459,913         | \$ 3,769,782              |
| After one to five years | 854,866           | 7,007,104                 |
| After five years        | 16,233            | 133,065                   |
| <b>Total</b>            | <b>¥1,331,014</b> | <b>\$ 10,909,952</b>      |

**17. RESEARCH AND DEVELOPMENT COSTS**

Research and development costs charged to income were ¥1,343 million (\$11,012 thousand) and ¥1,582 million for the years ended March 31, 2022 and 2021, respectively.

**18. GAIN ON LIQUIDATION OF SHARES OF SUBSIDIARY AND ASSOCIATED COMPANY**

As a result of the reversal of foreign currency translation adjustments accrued from the completion of liquidation of Chiyoda (Thailand) Limited, a subsidiary of the Company and the substantial completion of liquidation procedure of Chiyoda Singapore (Pte) Limited, a subsidiary of the Company, a gain of ¥588 million (\$4,825 thousand) on the liquidation of shares of subsidiary and associated company was recorded.

**19. PROJECT RELATED LOSS DUE TO SETTLEMENTS WITH CUSTOMERS**

As a result of the litigation settlement of the pended lawsuit with the customer of the Ichthys LNG projects, a reasonably estimated loss of ¥20,374 million (\$167,000 thousand) was recorded as "Project related loss due to settlements with customers" and debt corresponding to the loss was recorded as account payable—other in current liabilities.

**20. LEASES**

The Group leases certain machinery, computer equipment, and other assets.

Future minimum payments under non-cancelable operating leases were as follows:

|                     | Millions of Yen |               | Thousands of<br>U.S. Dollars |
|---------------------|-----------------|---------------|------------------------------|
|                     | 2022            | 2021          | 2022                         |
| Due within one year | ¥ (4)           | ¥ (84)        | \$ (35)                      |
| Due after one year  | <u>(270)</u>    | <u>(39)</u>   | <u>(2,214)</u>               |
| Total               | <u>¥(274)</u>   | <u>¥(124)</u> | <u>\$ (2,249)</u>            |

Effective from the current fiscal year, the consolidated foreign subsidiaries excluding the ones in the U.S., applied "Leases" (IFRS 16). The effect of these changes on consolidated financial statements was immaterial.

**21. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES****(1) Group Policy for Financial Instruments**

The Group uses financial instruments for cash surpluses, if any, invested in low-risk financial assets, such as deposits at notice. For operating capital, the Group uses bank loans. Derivatives are used, not for speculative purposes, but to manage exposure to the market risk of fluctuation in foreign currency exchange rates and interest rates.

**(2) Nature and Extent of Risks Arising from Financial Instruments**

Receivables, such as trade notes and trade accounts, are exposed to customer credit risk. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of payables in foreign currencies, is hedged by using foreign currency forward contracts.

Investment securities are equity securities related to the business in which the Group operates. Marketable securities are exposed to the risk of fluctuations in stock prices.

Payment terms of payables, such as trade notes and trade accounts, are generally less than one year. Although payables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, the position, net of receivables in foreign currencies, is hedged by using foreign currency forward contracts.

Derivatives are foreign currency forward contracts, which are used to manage exposure to market risks from changes in foreign currency exchange rates of receivables and payables. Please see Notes 2.z and 23 for more details about derivatives.

**(3) Risk Management for Financial Instruments***Credit risk management*

The Group manages its credit risk from receivables based on internal guidelines, which include monitoring of payment terms and balances of major customers to identify the default risk of customers at an early stage.

With respect to foreign currency forward contracts, the Group limits the counterparties to those derivatives to major financial institutions that can bear losses arising from credit risk.

*Market risk management (risk of foreign exchange and interest rates)*

Foreign currency trade receivables and payables are exposed to market risk resulting from fluctuations in foreign currency exchange rates. Such foreign exchange risk grasped by currency and month is hedged principally with foreign currency forward contracts.

Foreign currency forward contracts are controlled under the internal guidelines. The position related to particular construction contracts is identified and is reviewed. For setting and cancelling foreign currency contracts, reconciliation of the transaction and balances with customers' confirmation replies is made, and the transactions related to foreign currency forward contracts are executed and accounted for under internal guidelines.

Marketable and investment securities are managed by monitoring the market values and financial position of issuers on a regular basis. The Group assesses the stock price risk quantitatively so as to account for significant declines in market value as impairment losses.

*Liquidity risk management*

Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on their maturity dates. The Group manages its liquidity risk by holding an adequate volume of liquid assets along with timely, adequate financial planning.

**(4) Fair Values of Financial Instruments**

Fair values of financial instruments may differ as such assessment is based on certain assumptions including fluctuating factors, under different assumptions. Please see Note 22 for fair values for derivatives.

**(a) Fair values of financial instruments**March 31, 2022

|                                   | Millions of Yen    |                  |                           |
|-----------------------------------|--------------------|------------------|---------------------------|
|                                   | Carrying<br>Amount | Fair Value       | Unrealized<br>Gain (Loss) |
| Investment securities             | ¥ 338              | ¥ 338            | —                         |
| Total                             | <u>¥ 338</u>       | <u>¥ 338</u>     | <u>—</u>                  |
| Notes and accounts payable—trade  | ¥ 96,084           | ¥ 96,084         |                           |
| Current portion of long-term debt | 20,621             | 20,605           | ¥ (15)                    |
| Long-term debt                    | <u>25,000</u>      | <u>24,907</u>    | <u>(92)</u>               |
| Total                             | <u>¥ 141,705</u>   | <u>¥ 141,597</u> | <u>¥ (108)</u>            |

March 31, 2021

|                                   | Millions of Yen    |                  |                           |
|-----------------------------------|--------------------|------------------|---------------------------|
|                                   | Carrying<br>Amount | Fair Value       | Unrealized<br>Gain (Loss) |
| Investment securities             | ¥ 569              | ¥ 569            | —                         |
| Total                             | <u>¥ 569</u>       | <u>¥ 569</u>     | <u>—</u>                  |
| Notes and accounts payable—trade  | ¥ 115,187          | ¥ 115,187        |                           |
| Current portion of long-term debt | 747                | 747              |                           |
| Long-term debt                    | <u>45,000</u>      | <u>44,942</u>    | <u>¥ (57)</u>             |
| Total                             | <u>¥ 160,935</u>   | <u>¥ 160,877</u> | <u>¥ (57)</u>             |

March 31, 2022

|                                   | Thousands of U.S. Dollars |              |                        |
|-----------------------------------|---------------------------|--------------|------------------------|
|                                   | Carrying Amount           | Fair Value   | Unrealized Gain (Loss) |
| Investment securities             | \$ 2,774                  | \$ 2,774     | —                      |
| Total                             | \$ 2,774                  | \$ 2,774     | —                      |
| Notes and accounts payable—trade  | \$ 787,577                | \$ 787,577   |                        |
| Current portion of long-term debt | 169,026                   | 168,898      | \$(128)                |
| Long-term debt                    | 204,918                   | 204,157      | (760)                  |
| Total                             | \$ 1,161,522              | \$ 1,160,633 | \$(888)                |

Description is omitted as the carrying value of cash and cash equivalents, short-term investments, notes and accounts receivable—trade, accounts receivable—other, jointly controlled assets of joint venture, accounts payable—other, and income taxes payable approximates fair value because of their short maturities.

## (b) Carrying amount of financial instruments with fair values that cannot be reliably determined

|  | Millions of Yen |        | Thousands of U.S. Dollars |
|--|-----------------|--------|---------------------------|
|  | 2022            | 2021   | 2022                      |
| Investment securities that do not have a quoted market price in an active market   | ¥1,139          | ¥1,148 | \$ 9,340                  |
| Investments in equity instruments that do not have a quoted market price in an active market                                   | 1               | 2      | 10                        |
| Investments in unconsolidated subsidiaries and associated companies that do not have a quoted market price in an active market | 4,032           | 3,981  | 33,049                    |

Financial instruments above are not included in "Investment securities" in "(a) Fair values of financial instruments" as they have no market prices and also it is extremely difficult to determine fair value.

## (5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

March 31, 2022

|  | Millions of Yen       |                                  |                                    |
|--|-----------------------|----------------------------------|------------------------------------|
|  | Due in 1 Year or Less | Due after 1 Year through 5 Years | Due after 5 Years through 10 Years |
| Cash and cash equivalents  | ¥ 59,073              |                                  |                                    |
| Short-term investments   | 9,696                 |                                  |                                    |
| Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts* | 28,484                | ¥216                             |                                    |
| Accounts receivable—other*   | 83,223                |                                  |                                    |
| Jointly controlled assets of joint venture   | 141,438               |                                  |                                    |
| Total  | ¥321,915              | ¥216                             |                                    |

March 31, 2021

|  | Millions of Yen       |                                  |                                    |
|--|-----------------------|----------------------------------|------------------------------------|
|  | Due in 1 Year or Less | Due after 1 Year through 5 Years | Due after 5 Years through 10 Years |
| Cash and cash equivalents  | ¥ 98,709              |                                  |                                    |
| Short-term investments   | 8,250                 |                                  |                                    |
| Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts* | 46,586                | ¥718                             |                                    |
| Accounts receivable—other*   | 77,239                |                                  |                                    |
| Jointly controlled assets of joint venture   | 56,845                |                                  |                                    |
| Total  | ¥287,632              | ¥718                             |                                    |

March 31, 2022

|  | Thousands of U.S. Dollars |                                  |                                    |
|--|---------------------------|----------------------------------|------------------------------------|
|  | Due in 1 Year or Less     | Due after 1 Year through 5 Years | Due after 5 Years through 10 Years |
| Cash and cash equivalents  | \$ 484,210                |                                  |                                    |
| Short-term investments   | 79,476                    |                                  |                                    |
| Notes and accounts receivable, and costs and estimated earnings on long-term construction contracts* | 233,475                   | \$1,771                          |                                    |
| Accounts receivable—other*   | 682,158                   |                                  |                                    |
| Jointly controlled assets of joint venture   | 1,159,330                 |                                  |                                    |
| Total  | \$ 2,638,652              | \$1,771                          |                                    |

\* Allowance for doubtful accounts is deducted.

Please see Note 11 for annual maturities of long-term debt.

## (6) Financial Instruments Categorized by Fair Value Hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities.

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

(a) *The financial assets and liabilities measured at the fair values in the consolidated balance sheet*

March 31, 2022

|   | Millions of Yen |         |         |       |
|---|-----------------|---------|---------|-------|
|   | Level 1         | Level 2 | Level 3 | Total |
| Investment securities—<br>Available-for-sale securities—<br>equity securities | ¥ 338           | —       | —       | ¥ 338 |
| Total assets  | ¥ 338           | —       | —       | ¥ 338 |
| Derivative transactions—<br>Foreign currency forward contracts                | —               | ¥ 22    | —       | ¥ 22  |
| Total   | —               | ¥ 22    | —       | ¥ 22  |

March 31, 2022

|   | Thousands of U.S. Dollars |         |         |          |
|---|---------------------------|---------|---------|----------|
|   | Level 1                   | Level 2 | Level 3 | Total    |
| Investment securities—<br>Available-for-sale securities—<br>equity securities | \$ 2,774                  | —       | —       | \$ 2,774 |
| Total assets  | \$ 2,774                  | —       | —       | \$ 2,774 |
| Derivative transactions—<br>Foreign currency forward contracts                | —                         | \$ 183  | —       | \$ 183   |
| Total   | —                         | \$ 183  | —       | \$ 183   |

(b) *The financial assets and liabilities not measured at the fair values in the consolidated balance sheet*

March 31, 2022

|                                   | Millions of Yen |           |         |           |
|-----------------------------------|-----------------|-----------|---------|-----------|
|                                   | Level 1         | Level 2   | Level 3 | Total     |
| Notes and accounts payable—trade  | —               | ¥ 96,084  | —       | ¥ 96,084  |
| Current portion of long-term debt | —               | 20,605    | —       | 20,605    |
| Long-term debt                    | —               | 24,907    | —       | 24,907    |
| Total liabilities                 | —               | ¥ 141,597 | —       | ¥ 141,597 |

March 31, 2022

|                                   | Thousands of U.S. Dollars |              |         |              |
|-----------------------------------|---------------------------|--------------|---------|--------------|
|                                   | Level 1                   | Level 2      | Level 3 | Total        |
| Notes and accounts payable—trade  | —                         | \$ 787,577   | —       | \$ 787,577   |
| Current portion of long-term debt | —                         | 168,898      | —       | 168,898      |
| Long-term debt                    | —                         | 204,157      | —       | 204,157      |
| Total liabilities                 | —                         | \$ 1,160,633 | —       | \$ 1,160,633 |

The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Investment Securities

The fair values of listed equity securities are measured at the quoted market prices. Since listed equity securities are traded in active markets, the fair value of listed equity securities are categorized as Level 1.

Derivatives

The fair values of foreign currency forward contracts are measured at quoted market prices obtained from relevant financial institution, and are categorized as Level 2.

Notes and Accounts Payable—Trade

The fair value of each group of payables and short-term bank loans with similar maturities are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates taking into account maturity and credit risk, and are categorized as Level 2.

Current Portion of Long-Term Debt and Long-Term Debt

The fair values of long-term debt are measured by using discounted present value techniques considering assumptions including the total amount of principal and discount rates taking into account maturity and credit risk, and are categorized as Level 2.

**22. DERIVATIVES*****Derivative Transactions to Which Hedge Accounting Is Not Applied***

March 31, 2022

|                                     | Millions of Yen |                                    |            |                        |
|-------------------------------------|-----------------|------------------------------------|------------|------------------------|
|                                     | Contract Amount | Contract Amount Due after One Year | Fair Value | Unrealized Gain (Loss) |
| Foreign currency forward contracts: |                 |                                    |            |                        |
| Selling USD/buying JPY              | ¥ 9,376         | —                                  | ¥ 7        | ¥ 7                    |
| Selling EUR/buying JPY              | 16,985          | —                                  | 19         | 19                     |
| Selling AUD/buying JPY              | 32,922          | —                                  | 93         | 93                     |
| Buying USD/selling JPY              | 112             | —                                  | 3          | 3                      |
| Total                               | ¥ 59,396        | —                                  | ¥ 123      | ¥ 123                  |

March 31, 2021

|                                     | Millions of Yen |                                    |            |                        |
|-------------------------------------|-----------------|------------------------------------|------------|------------------------|
|                                     | Contract Amount | Contract Amount Due after One Year | Fair Value | Unrealized Gain (Loss) |
| Foreign currency forward contracts: |                 |                                    |            |                        |
| Selling USD/buying JPY              | ¥30,379         |                                    | ¥(24)      | ¥(24)                  |
| Selling EUR/buying JPY              | 8,784           |                                    | (6)        | (6)                    |
| Selling AUD/buying JPY              | 53,633          |                                    | (25)       | (25)                   |
| Total                               | ¥92,797         |                                    | ¥(57)      | ¥(57)                  |

March 31, 2022

|                                     | Thousands of U.S. Dollars |                                    |            |                        |
|-------------------------------------|---------------------------|------------------------------------|------------|------------------------|
|                                     | Contract Amount           | Contract Amount Due after One Year | Fair Value | Unrealized Gain (Loss) |
| Foreign currency forward contracts: |                           |                                    |            |                        |
| Selling USD/buying JPY              | \$ 76,857                 |                                    | \$ 61      | \$ 61                  |
| Selling EUR/buying JPY              | 139,223                   |                                    | 157        | 157                    |
| Selling AUD/buying JPY              | 269,854                   |                                    | 763        | 763                    |
| Buying USD/selling JPY              | 918                       |                                    | 28         | 28                     |
| Total                               | \$486,853                 |                                    | \$1,011    | \$1,011                |

**Derivative Transactions to Which Hedge Accounting Is Applied**

March 31, 2022

|  | Hedged Item            | Millions of Yen |                   |
|--|------------------------|-----------------|-------------------|
|  |                        | Contract Amount | Fair Value (Loss) |
| Foreign currency forward contracts—Accounted for under deferred hedge accounting method: |                        |                 |                   |
| Selling USD/buying JPY   | Foreign currency       | ¥3,009          | ¥(222)            |
| Buying USD/selling JPY   | forecasted transaction | 326             | 19                |
| Buying EUR/selling JPY   |                        | 1,193           | 56                |
| Total  |                        | ¥4,530          | ¥(145)            |
| Other*1—   |                        |                 |                   |
| Buying USD/selling JPY   | Payables               | ¥ 432           |                   |
| Total  |                        | ¥ 432           |                   |

March 31, 2021

|  | Hedged Item            | Millions of Yen |                   |
|--|------------------------|-----------------|-------------------|
|  |                        | Contract Amount | Fair Value (Loss) |
| Foreign currency forward contracts—Accounted for under deferred hedge accounting method: |                        |                 |                   |
| Selling USD/buying JPY   | Foreign currency       | ¥ 196           | ¥(3)              |
| Buying USD/selling JPY   | forecasted transaction | 824             | 41                |
| Buying EUR/selling JPY   |                        | 70              | 1                 |
| Total  |                        | ¥1,091          | ¥38               |
| Other*1—   |                        |                 |                   |
| Buying USD/selling JPY   |                        | ¥ 447           |                   |
| Total  |                        | ¥ 447           |                   |

March 31, 2022

|  | Hedged Item            | Thousands of U.S. Dollars |                   |
|--|------------------------|---------------------------|-------------------|
|  |                        | Contract Amount           | Fair Value (Loss) |
| Foreign currency forward contracts—Accounted for under deferred hedge accounting method: |                        |                           |                   |
| Selling USD/buying JPY   | Foreign currency       | \$ 24,670                 | \$(1,822)         |
| Buying USD/selling JPY   | forecasted transaction | 2,679                     | 161               |
| Buying EUR/selling JPY   |                        | 9,784                     | 466               |
| Total  |                        | \$37,134                  | \$(1,194)         |
| Other*1—   |                        |                           |                   |
| Buying USD/selling JPY   | Payables               | \$ 3,545                  |                   |
| Total  |                        | \$ 3,545                  |                   |

\*1 Fair value of the foreign currency forward contract assigned for payables is included in the fair value of payables disclosed in Note 21.

**23. OTHER COMPREHENSIVE (LOSS) INCOME**

The components of other comprehensive (loss) income for the years ended March 31, 2022 and 2021, were as follows:

|   | Millions of Yen |               | Thousands of         |
|---|-----------------|---------------|----------------------|
|   | 2022            | 2021          | U.S. Dollars<br>2022 |
| Unrealized (loss) gain on available-for-sale securities:  |                 |               |                      |
| Losses arising during the year                            | ¥ (62)          | ¥ 170         | \$ (514)             |
| Reclassification adjustments to profit or loss            | (96)            |               | (793)                |
| Amount before income tax effect                           | (159)           | 170           | (1,308)              |
| Income tax effect   | 39              | (26)          | 325                  |
| <b>Total</b>  | <b>¥ (119)</b>  | <b>¥ 144</b>  | <b>\$ (982)</b>      |
| Deferred gain on derivatives under hedge accounting:      |                 |               |                      |
| Gains arising during the year                             | ¥ 2,899         | ¥ 28          | \$ 23,765            |
| Reclassification adjustments to profit or loss            | (17)            | 7             | (145)                |
| Adjustment to acquisition cost of assets                  | (475)           | (1)           | (3,901)              |
| Amount before income tax effect                           | 2,405           | 35            | 19,718               |
| Income tax effect   | (780)           | (10)          | (6,395)              |
| <b>Total</b>  | <b>¥ 1,625</b>  | <b>¥ 24</b>   | <b>\$ 13,323</b>     |
| Foreign currency translation adjustments:                 |                 |               |                      |
| Adjustments arising during the year                       | ¥(4,800)        | ¥2,634        | \$ (39,350)          |
| Reclassification adjustments to profit or loss            | (550)           | (310)         | (4,510)              |
| <b>Total</b>  | <b>¥(5,350)</b> | <b>¥2,324</b> | <b>\$ (43,860)</b>   |
| Defined retirement benefit plans:                         |                 |               |                      |
| Adjustments arising during the year                       | ¥ (344)         | ¥1,624        | \$ (2,827)           |
| Reclassification adjustments to profit or loss            | (317)           | (47)          | (2,601)              |
| Amount before income tax effect                           | (662)           | 1,576         | (5,428)              |
| Income tax effect   | (16)            | (155)         | (132)                |
| <b>Total</b>  | <b>¥ (678)</b>  | <b>¥1,420</b> | <b>\$ (5,561)</b>    |
| Share of other comprehensive income (loss) of associates: |                 |               |                      |
| Income (loss) arising during the year                     | ¥ 79            | ¥ (60)        | \$ 652               |
| <b>Total</b>  | <b>¥ 79</b>     | <b>¥ (60)</b> | <b>\$ 652</b>        |
| <b>Total other comprehensive (loss) income</b>            | <b>¥(4,444)</b> | <b>¥3,854</b> | <b>\$ (36,429)</b>   |

**24. NET (LOSS) INCOME PER SHARE**

A reconciliation of the differences between basic and diluted net (loss) income per share ("EPS") for the years ended March 31, 2022 and 2021, was as follows:

|   | Year Ended March 31, 2022            |                     |          |              |
|---|--------------------------------------|---------------------|----------|--------------|
|   | Millions of Yen                      | Thousands of Shares | Yen      | U.S. Dollars |
|   | Net Loss                             | Weighted-Average    | EPS      |              |
|   | Attributable to Owners of the Parent | Shares              |          |              |
| Basic EPS—Net loss available to common shareholders   | ¥ (14,729)                           | 258,966             | ¥(56.88) | \$ (0.47)    |
| Effect of dilutive securities—Preferred stock   | 2,100                                | 736,750             |          |              |
| Diluted EPS—Net loss for computation  | ¥ (12,629)                           | 995,716             |          |              |
| Please note that diluted EPS is not indicated because basic earnings per share were negative, although there are potential common shares with dilutive effects. |                                      |                     |          |              |
|   | Year Ended March 31, 2021            |                     |          |              |
|   | Millions of Yen                      | Thousands of Shares | Yen      |              |
|   | Net Income                           | Weighted-Average    | EPS      |              |
|   | Attributable to Owners of the Parent | Shares              |          |              |
| Basic EPS—Net income available to common shareholders   | ¥5,893                               | 258,966             | ¥22.76   |              |
| Effect of dilutive securities—Preferred stock   | 2,100                                | 715,750             |          |              |
| Diluted EPS—Net income for computation  | ¥7,993                               | 974,716             | ¥ 8.20   |              |

There is no dilutive effect for the year ended March 31, 2022.

In the calculation of weighted-average shares of basic and diluted net income per share (EPS), the number of company shares held by the trust bank is included in treasury stock that is excluded from the total number of outstanding shares at the end of this consolidated fiscal year (303 thousand shares and 0 shares in 2022 and 2021).

The Company applies ASBJ Statement No. 29 of "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 of March 31, 2020) and follows the transitional treatment defined by Paragraph 84 of "Accounting Standard for Revenue Recognition" as stated in Note 4, "Accounting Change." As a result of this adaption, net loss per share for this fiscal year was decreased by ¥0.06.

**25. SUBSEQUENT EVENTS**

None

**26. SEGMENT INFORMATION**

Under Japanese accounting standards, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and for which such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

**(1) Description of Reportable Segments**

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Company's management is performed in order to decide how resources are allocated within the Group. The Group provides "Engineering" services globally, including planning, engineering, construction, procurement, commissioning, and maintenance, adapting the most appropriate functions of each related company.

**(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, Liabilities, and Other Items for Each Reportable Segment**

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

The profit in reporting segments is based on the operating income. Intersegment income and transfers are measured at the quoted market price.

**(3) Information about Sales, Profit, Assets, Liabilities, and Other Items**Year Ended March 31, 2022

Since the reportable segment of the Group consists of only the "Engineering" segment, and other segments have become immaterial, the Group has omitted reporting of segment information.

Year Ended March 31, 2021

The reportable segment of the Group consists of only the "Engineering" segment. Since the travel services of Arrowhead International Corporation were transferred to another company in the year ended March 31, 2021, and other segments have become immaterial, the Group has omitted reporting of segment information.

**Related Information****(1) Information about Products and Services**

The engineering business represents more than 90% of the total sales of the Group. Accordingly, the presentation of the information about each service is not required under Japanese GAAP.

**(2) Information about Geographical Areas****(a) Revenue**Year Ended March 31, 2022

|           | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|-----------|------------------------|----------------------------------|
| Japan     | ¥ 117,677              | \$ 964,570                       |
| Qatar     | 81,266                 | 666,117                          |
| U.S.A.    | 54,105                 | 443,487                          |
| Indonesia | 52,870                 | 433,362                          |
| Others    | <u>5,195</u>           | <u>42,590</u>                    |
| Total     | <u>¥ 311,115</u>       | <u>\$ 2,550,127</u>              |

Year Ended March 31, 2021

|           | <u>Millions of Yen</u> |
|-----------|------------------------|
| Japan     | ¥ 146,084              |
| U.S.A.    | 120,001                |
| Indonesia | 38,296                 |
| Others    | <u>11,010</u>          |
| Total     | <u>¥ 315,393</u>       |

Note: Revenue is classified by country or region based on the location of construction sites.

**(b) Property, plant and equipment**Year Ended March 31, 2022

|        | <u>Millions of Yen</u> | <u>Thousands of U.S. Dollars</u> |
|--------|------------------------|----------------------------------|
| Japan  | ¥ 9,632                | \$ 78,957                        |
| Asia   | 1,279                  | 10,490                           |
| Others | <u>125</u>             | <u>1,030</u>                     |
| Total  | <u>¥ 11,038</u>        | <u>\$ 90,478</u>                 |

Year Ended March 31, 2021

|        | <u>Millions of Yen</u> |
|--------|------------------------|
| Japan  | ¥ 9,955                |
| Asia   | 1,364                  |
| Others | <u>105</u>             |
| Total  | <u>¥ 11,426</u>        |

**(3) Information about Major Customers**Year Ended March 31, 2022

| Name          | Related Segment | Millions of Yen | Thousands of |
|---------------|-----------------|-----------------|--------------|
|               |                 | Revenue         | U.S. Dollars |
| Qatar Energy  | Engineering     | ¥75,437         | \$ 618,336   |
| BP Berau Ltd. | Engineering     | 31,521          | 258,368      |

Year Ended March 31, 2021

| Name                            | Related Segment | Millions of Yen |
|---------------------------------|-----------------|-----------------|
|                                 |                 | Revenue         |
| Gulf Coast Growth Ventures, LLC | Engineering     | ¥55,076         |
| BP Berau Ltd.                   | Engineering     | 34,058          |

**(4) Information about Goodwill by Reportable Segment**

The reportable segment of the Group consists of only the engineering segment, and the other segment is immaterial. Accordingly, the Group has omitted reporting of segment information. Regarding the goodwill, which is not included in the reportable segment, its amortization in the year was ¥29 million (\$245 thousand) and its unamortized balance was ¥224 million (\$1,844 thousand).

**27. RELATED PARTY DISCLOSURES**

The material transactions of the Group with the parent company and major shareholders for the years ended March 31, 2022 and 2021, were as follows:

Year Ended March 31, 2022

|                                      | Millions of Yen | Thousands of |
|--------------------------------------|-----------------|--------------|
|                                      |                 | U.S. Dollars |
| Guaranteed liabilities* <sup>1</sup> | ¥ 10,000        | \$ 81,967    |
| Loan of funds* <sup>2</sup>          | 10,000          | 81,967       |
| Borrowings* <sup>3</sup>             | 10,000          | 81,967       |

\*<sup>1</sup> The guaranteed liabilities are related to the borrowings from Mitsubishi Corporation Financial & Management Services (Japan) Ltd. Regarding these guaranteed liabilities, guarantee fees have been paid and buildings, structures, land, investment securities and other assets have been collateralized. The transaction amount represents the balance of liabilities corresponding to the collateral assets as of the end of the fiscal year.

\*<sup>2</sup> This was due to the transaction Mitsubishi Corporation Financial & Management Services (Japan) Ltd. Regarding the loan of funds, applicable interest rates are rationally determined upon taking into account the market rate of interest.

\*<sup>3</sup> This was due to the transaction Mitsubishi Corporation Financial & Management Services (Japan) Ltd. Regarding the borrowings, applicable interest rates are rationally determined upon taking into account the market rate of interest.

Year Ended March 31, 2021

|                                      | Millions of Yen |
|--------------------------------------|-----------------|
| Guaranteed liabilities* <sup>1</sup> | ¥ 10,000        |
| Borrowings* <sup>2</sup>             | 10,000          |

\*<sup>1</sup> The guaranteed liabilities are related to the borrowings from Mitsubishi Corporation Financial & Management Services (Japan) Ltd. Regarding these guaranteed liabilities, guarantee fees have been paid and buildings, structures, land, investment securities and other assets have been collateralized. The transaction amount represents the balance of liabilities corresponding to the collateral assets as of the end of the fiscal year.

\*<sup>2</sup> This was due to the transaction Mitsubishi Corporation Financial & Management Services (Japan) Ltd. Regarding the borrowings, applicable interest rates are rationally determined upon taking into account the market rate of interest.

There are no material balances with these unconsolidated subsidiaries and associated companies as of March 31, 2022.

There are no material transactions of the Group with unconsolidated subsidiaries and associated companies for the year ended March 31, 2022.

There are no material balances with unconsolidated subsidiaries and associated companies as of March 31, 2022.

\* \* \* \* \*



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Chiyoda Corporation:

### Opinion

We have audited the consolidated financial statements of Chiyoda Corporation and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of operations, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

*Estimate of total construction revenue and total construction cost in revenue recognition*

See Note 3.

### Key Audit Matter Description

The Group has mainly entered into long-term construction contracts in the engineering business. For these contracts, the Group determined that it satisfies a performance obligation over time and recognizes revenue by measuring the progress towards the complete satisfaction of such performance obligation. The progress is measured based on the percentage of construction costs incurred by the end of each reporting period to total construction costs. For the year ended March 31, 2022, ¥274,126 million (\$2,246,935 thousand) of the total revenue of ¥311,115 million (\$2,550,127 thousand) was recognized using this method.

This method is based on the estimated total construction revenue and total construction costs, which involve significant judgments and forecasts made by management depending on the business environment and include the following factors of uncertainty of accounting estimates:

- (1) Estimation of total construction revenue includes significant forecasts and judgments related to future uncertain events, such as potential liquidated damages for delays in construction completion. Although an agreement is reached on the change in the method of construction or the scope of work, the agreement on the variable consideration may not necessarily be confirmed in a timely manner by the contract, and there is a significant uncertainty in the estimation of total construction revenue depending on the size and nature of the construction project.
- (2) Estimation of total construction costs is based on various significant assumptions related to the fluctuation of the market prices for outsourcing costs, such as labor costs, and equipment and materials costs, the construction schedule established by using the mobilization plan of construction workers and the procurement plan of equipment and materials and so on. However, total construction costs may increase due to higher prices of labor, equipment and materials than originally estimated or delays in the mobilization of construction workers, securing infrastructure, or procurement of equipment and materials that do not proceed as planned. The estimation of total construction costs for such an unexpected event is highly uncertain and may take time to review depending on the size and nature of the project.

In particular, large-scale and long-term plant construction projects in foreign countries involve uncertainty of accounting estimates and have significant impact on the consolidated financial statements as a whole.

Given the above understanding, we have determined the estimation of total construction revenue and total construction costs used in revenue recognition for large-scale and long-term plant construction projects in foreign countries to be a key audit matter.

### How the Key Audit Matter Was Addressed in the Audit

Our audit procedures to determine the appropriateness of the estimation of total construction revenue and total construction costs for large-scale and long-term plant construction projects in foreign countries are as follows, among others:

- (1) Internal control testing

We obtained an understanding of the business environment surrounding the Group and the industry. We then tested the design and operating effectiveness of the internal controls over the estimation of total construction revenue and total construction costs used in revenue recognition, including the following controls among others.

Strategy & Risk Integration Division's Cost review: the profit-and-losses and progress of construction projects are monitored, analyzed and evaluated.

Project Profitability Review Meetings: the progress and profitability of current construction projects are reported and discussed.

- (2) Assessment of appropriateness of the estimation of total construction revenue and total construction costs
- (a) We investigated whether each project's construction budget, which is based on the estimation of total construction costs was quantitatively and comprehensively analyzed and evaluated through Strategy & Risk Integration Division's Cost review.
  - (b) We inspected the documentation of the Project Profitability Review Meetings prepared by project managers to evaluate whether the project's construction budget was adjusted in a timely and appropriate manner and comprehensively in accordance with the progress of the construction reflecting the result of discussion at the meetings.
  - (c) We inquired of project managers and inspected supporting evidence to obtain an understanding of the status of negotiations with customers or subcontractors and the progress of the constructions and identified key uncertain factors, such as the risk of incurring liquidated damages due to delays in the construction project and the risk of incurring additional construction costs to be paid to subcontractors, and evaluated the reasonableness and feasibility of the assumptions of the estimates.
  - (d) We compared the initial estimated total construction costs with actual or revised total construction costs to evaluate the appropriateness of the estimation of total construction revenue or total construction costs.
  - (e) We evaluated the reasonableness of the estimation of total construction revenue or total construction costs with the assistance of the component auditor's valuation specialists.
  - (f) For projects in which significant negotiations or arbitration are taking place, we involved our legal specialists to assist us to evaluate the appropriateness of accounting estimates for disputed cases.
  - (g) We compared the estimated amount of total construction revenue or total construction costs with supporting evidence, such as contracts and relating memorandum agreed on with customers, and quotes and invoices from subcontractors or equipment vendors.

#### Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

#### Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit and Supervisory Committee is responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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## Independent Auditor's Report

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

*Deloitte Touche Tohmatsu LLC*  
July 20, 2022



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